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FBIS-EEU-95-038 *27 February 1995*

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Havel Assures Albright of Support on Iraq

LD2702124795 Prague Radiozurnal Radio Network in Czech 1000 GMT 27 Feb 95

[FBIS Translated Excerpt] Madeleine Albright, the U.S. ambassador to the United Nations, met Czech President Vaclav Havel today at Prague Castle during her short working visit to the Czech Republic. Eva Hulkova reports:

[Hulkova] Madeleine Albright's visit is part of her larger tour of UN Security Council member states, during which she will seek assurances that these countries do not intend to work toward lifting the embargo imposed on oil sales to Iraq.

As Madeleine Albright said, President Clinton instructed her to visit Prague with an important mission to gain the Czech Republic's support for the U.S. stance in the Security Council on preserving sanctions against Iraq until Iraq meets all of its obligations ensuing from resolutions adopted by the Security Council. [passage omitted]

Vaclav Havel said he had assured Mrs. Albright that the Czech Republic takes a totally unequivocal stance on this issue, which is identical with that of the United States.

NATO Criteria for Classified Items Approved

95CH0109B Prague RESPEKT in Czech 15 Jan 95 p 5

[Article by Jaroslav Spurny: "NATO Asks for Change in Our Security System"]

[FBIS Translated Text] At the last meeting of the Czech Government, the ministers approved a document with the appealing title "Agreement Between CR and NATO on Safeguarding Classified Items." In reality, however, the agreement merely says that in the future we shall protect classified information in the same way as members of NATO do. The reason is simple: as long as we are to receive from NATO military technology and classified information, we must guarantee that not a single item will find its way from us to the so-called risk countries. The Czech Republic is so far the only country from the former East Bloc to have approved such an agreement, but the same agreement must be signed by every country that has joined the Partnership For Peace.

The agreement commits us above all to two things. An office must be designated which will control and coordinate the flow of information between CR and NATO countries, and our present security system must be completely reworked. Because NATO requires that inter-country exchanges of all classified information go through one place, the government gave the responsibility for this matter to the Ministry of Interior (and at the same time set aside several million korunas for this purpose). The department for the protection of classified materials at the Ministry of Interior will thus become a kind of "collection center or mailman" for all information concerning our cooperation with NATO. In practice it should also mean that, for example, it will be no longer possible for the Rockwell Corporation, which will be supplying avionics for the L-59 aircraft, to deal directly with their manufacturer (Aero Vodochody) without the knowledge of the Ministry of Interior.

Ruml's Ministry need not create, according to experts on classified material, a specialized department for this purpose, it will merely designate several people for this work. But a much more complicated job will be to rework the entire system of safeguarding confidential information in the Czech Republic. According to the chief of the pertinent department, only our protection of records and documents meets NATO requirements. As far as the protection of technology is concerned, our system is "not very good," and totally "unsatisfactory" is the method we use to verify the trustworthiness of people who have access to classified items. Screening is done only by the so-called passive method (all possible records and dossiers are examined). Therefore, the most that is known about a person is whether he was or was not a State Security agent, whether he was or was not convicted or interrogated, whether he studied in the Soviet Union, etc. Similarly disastrous is the method of screening private firms which do work for military contracts: the government cannot verify whether they abide by security requirements at all, or, if they do, how. (In practice this is done through agreements, in which it is stated which part of the contract must not be publicly discussed.)

From the foregoing it is obvious that in our case we cannot talk about a risk analysis of information leaks—as safeguarding classified information is called in the language of experts—on a level required by NATO. In NATO countries, people who work with classified materials are screened in several stages. In addition to a check of various databases, they are required to fill out a number of questionnaires which map out their views and psychological traits; their financial situation and family relationships, including a thorough screening of their closest relatives, are examined.

The significance of the approved agreement is therefore twofold: It brings us closer to cooperation with NATO and at the same time forces us to radically change our security system. For the time being, this area is regulated only by a law dating from 1971, which went through a minor amendment four years ago. According to experts from the Ministry of Interior, however, it has been obvious for a long time that it does not meet NATO requirements by a long shot. Therefore, the government should discuss as early as April of this year a draft of an entirely new law (it has been in preparation for almost two years now), and if everything goes as expected, it should be approved forthwith by the parliament. Only then will the possibility of receiving state-of-the-art military equipment and classified information from NATO members open up for us.

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Havel, Klaus New Year Speeches on Independent TV

95CH0114G Prague PRAGUE POST in English 17 Jan 95 p 11

[Commentary by Daniel Kumermann: "New Year's Face-Off Sets Tone for 1995"]

[FBIS Transcribed Text] The first Czech independent TV channel, Nova, never misses a chance to show its adherence to the system of market economy. It is always seeking to give the viewer a choice between two interesting programs at the same time. This helps the public behave democratically.

It is normal, then, that Prime Minister Vaclav Klaus was willing to become the star of Nova's greatest "right-to-choose" stunt so far. His reflections on 1994 and promises for 1995 were part of a Nova show that shared a time slot with the president's New Year's Day speech—one of the most traditional features of Czech television.

In the end, Klaus' remarks began after President Vaclav Havel had finished his speech. But representatives of other parties were shown head to head with the president. Only two refused to participate: the Left Bloc and the Christian Democratic Union-Czech People's Party (KDU-CSL).

The speeches themselves were what one would expect. The president's was a reflection on the state of society and a criticism of the parliament's failure to pass laws necessary for the Czech Republic to function according to its constitution.

Klaus introduced a new rhetorical weapon, saying many things no longer belong in the public sphere. Now private individuals bear the responsibility for many more of society's problems. We can be sure to hear this argument often in the future.

For many, presentation was more important than content. Quite a few observers concentrated on Nova's obvious attempt to steal the time that traditionally belongs to the president. Ironically, it was a great day for the KDU-CSL, which capitalized on Chairman Josef Lux's refusal to participate.

Stanislav Belehradek, the KDU-CSL representative who did speak, showed a sliver of honesty. He said the real reason behind the reluctance to create a Senate is that the major political parties do not have enough strong personalities to fill the body.

While defending the president's right to speak, the party did not entirely support his statements. The two parties that fully backed Havel were the Civic Democratic Alliance (ODA) and Free Democrats (SD). This agreement underscored an old, unhealed wound: These parties descend from the pre-1989 anti-communist dissident movement and both more or less share (along with President Havel) the ideals of the Charter 77 human-rights initiative. Their inability to cooperate before the 1992 elections cost both dearly and helped Klaus become the strongest force on the Czech political scene.

When asked about Havel's speech, which had been released by the Czech News Agency (CTK) two days before, Klaus said he wasn't familiar with it. Whether this demonstrated a total lack of organization in the party or yet another blatant attempt to belittle the president is anyone's guess.

Other officials of Klaus' Civic Democratic Party (ODS) expressed various degrees of disapproval, pointing out what they called the "pessimistic, almost catastrophic" tone of the speech. The true feelings of the ODS were best displayed by its never-failing mouthpiece, the daily TELEGRAF, and one of the paper's "best" commentators, Dusan Sramek, whose words were more biting than usual. He characterized Havel as a leftist intellectual living in a world of false images and accused him of attempting to become spiritual leader of the dissatisfied part of the public, which Sramek said is a "warning signal."

Whatever signal it may have sent, the fact that Mr. Sramek, and indirectly Klaus, see it as a warning vouches for one thing—Havel is fulfilling his pledge to be more radical and critical. If the saying "As goes New Year's Day, so goes the coming year" is true, we are in for some real thunderstorms in 1995.

Havel's, Klaus's TV Addresses, Attitudes Compared

95CH0108E Prague PROGNOSIS WEEKLY in English 11 Jan 95 p 8

[Article by Hana Lesenarova: "Frowns From Havel, Smiles From Klaus"]

[FBIS Transcribed Text] On the country's thriving, ratings-grabbing private TV station Nova, New Year's day was a time to be solidly enthusiastic about the coming 365 days and wildly enthusiastic about the last 365. On staid, state-owned Czech TV, it might well have been a national day of mourning.

A relaxed Vaclav Klaus shrugged and smiled at questions from a reporter on Nova, and wished everyone watching "healthy self-confidence, confidence in oneself because there is no need to look into 1995 with distrust."

It was a routine performance for the telegenic Czech Premier, scheduled head-to-head against President Vaclav Havel's traditional 30-minute New Year's TV address.

Havel, meanwhile, read bleakly from his notes in the Czech TV studio, his eyes hidden behind a pair of eyeglasses as he ticked off the problems facing the country. Far from an optimist in his days of waning

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popularity and influence, Havel could apparently muster only the dark conclusion that "not everything is lost yet."

The tension between the two speeches, and even their scheduling for the same time slot, comes as no surprise these days. It has become almost a tradition for the two to compete or disagree on everything they can.

Havel, who had promised the week before to become more critical and "tougher" in his position this year, touched on familiar themes. The president opened by saying the country needs to create a new hope, and quickly put in a mention of respect for "the miracle of Creation"—a semi-religious touch that has become standard in Havel's talks.

The president pointed out that a Senate is still far from being established, despite the fact that it is a part of the Czech Constitution. Then he swiftly moved to another legislative nut—the creation of regional governments, much like state governments in the U.S., which have also been too controversial to be approved in Parliament.

However, it is questionable how much his listeners really care about these issues. "Except for the really serious and undeniable fact that wise minds set both things down in the constitution, citizens do not exactly miss either the Senate or the higher administration units according to the polls, and they do not really threaten free progress of human activities," editorialized Libor Sevcik from the intellectual daily LIDOVE NOVINY.

The president then emphasized the importance of his latest hot topic—the need for a "vision of the country" which should be reflected in its legislation. Havel considers this vision the second most essential step for the country, ranked only after completing the economic transformation.

Klaus, on the other hand, cast knowing smiles around the Nova studios as he convinced his interviewer of how wonderfully the Czech Republic has been doing. He too struck a few familiar chords, echoing his comments of early December when he said there is no need for the "catastrophic scenarios" put forward by some less optimistic politicians.

Klaus made no overt references to the president during his speech—and according to the daily RUDE PRAVO, he didn't listen to Havel's remarks, which aired just moments before his—but did manage to contradict his fellow head-of-state just the same. He admitted the biggest task left for the country is in the social field, but said that besides this area there is not a real need to worry. As for the Senate, Klaus said he "never really thought that the Senate is really a necessary part (of the Constitution)."

And to stress his successes, Klaus sang his old hit tunes of the "far lowest inflation" and "incredibly low unemployment." Asked about the latest corruption scandals, he said that "We can really only count them on fingers of one hand, and freedom provides space for the good but a little for the others too."

Speeches aside, the premier and the president seem to have their roles cut out for them, at least in the eyes of the public. In a December survey by the polling group DEM, 44 percent of respondents described Klaus as the man who has "the most influence and power" in the country, while only 14 percent thought the same about Havel. But when asked about who was more moral, respondents mentioned Havel the most—28 percent of them—and Klaus only attracted 7 percent as the third most moral politician after Trade and Industry Minister Vladimir Dlouhy.

Klaus Meets British Labor Leader Blair

95CH0114B Prague PROGNOSIS WEEKLY in English 18 Jan 95 p 3

[Article by Charles Hornberger: "King of Britain's New Left Meets With Czech Leaders"]

[FBIS Transcribed Text] Czech politicians from the left and right logged face time last week with the man who looks like he'll become Great Britain's first Labour prime minister in two decades, the British MP and dynamic Labour leader Tony Blair, during the politician's private visit to the Czech Republic.

The dapper and seemingly relaxed Blair, who stayed for the majority of his four-day visit in a phoneless cottage outside Prague, met Friday with Czech Premier Vaclav Klaus—an encounter that was not without its ironies.

It was announced that Klaus—the man who had led the Czech Republic through its ambitious and internationally acclaimed privatization program—would have an afternoon tete-a-tete with Blair just as Labour Party MPs back home in London were kicking up a fuss about huge pay hikes for top executives in Britain's newly private utility companies. At the same time, the conservative government was backing off from a plan to sell off the Royal Mail, Britain's postal system.

On the day of their meeting, union leaders were threatening to withhold support for Blair's leadership of Labour—and ostensibly the country—if he didn't go along with a plan to put some industries back under state ownership, while Blair was striving to eliminate a crucial clause from Labour's constitution that commits it to public ownership of the means of production.

But after his meeting with Klaus, Blair was reluctant to discuss details of their hour-long talk, and especially to divulge any thoughts about the conservative Czech premier. He said he had "expressed my admiration for the work that has been done in the Czech Republic and for the people of the Czech Republic."

He stiffly but politely ducked a question about what he, as the head of Britain's liberal political party, had

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thought about meeting with the Czech Republic's right-most politician, who is in the habit of saying that his political idol is the Labour-detested Iron Lady of British conservatism, Margaret Thatcher.

"I'm not going to comment on the politics of this country," Blair said, repeating that he was impressed by the work that has been done here since 1989. "It wouldn't be proper."

Blair said the Czech Republic's admission to the European Union was wholly supported by the Labour Party—one of the few things that Labour and Prime Minister John Major's Tory Party agree on.

"We support strongly the admission of the Czech Republic into the European Union, and the steps that have been taken here (toward that end)," he said.

Blair also said he expressed his belief that, "It is important to have a proper, democratic trade union movement in any country," a comment that might have been pointed at the utter lack of real political clout held by unionists in the Czech Republic, which is the only post-Communist European country to have weaned its unions of power.

Blair also met with a few left-leaning allies, including the head of the Czech-Moravian Trade Union Richard Falbr and the Chairman of Czech Social Democrats Milos Zeman.

After their meeting, Zeman told the daily RUDE PRAVO that "we talked about our experiences in the fight against Thatcherism, which is the most decayed form of conservatism." Falbr told the daily that Blair had asked him whether the unions believed that privatization would lead to an excessive rise in unemployment, to which Falbr answered that "the unions aren't counting on (it)."

Financial Scandals Rock Governing Coalition

95CH0108D Prague PROGNOSIS WEEKLY in English 11 Jan 95 p 2

[Article by Hana Lesenarova: "Parties Point Fingers as Funding Scandal Grows"]

[FBIS Transcribed Text] Just two weeks after its coalition partners attacked the leading Civic Democratic Party for its so-called "Meal of Fortune," a lavish pay-to-dine affair for sponsors, two of the most vocal critics have come under fire for having shady campaign funding sources as well.

But as the new reports rolled in, some observers speculated that the two new cases might have been an ODS-engineered move to shift the focus elsewhere, or at least to taint someone else with the same scandal.

ODS's partner parties blasted it not only for hosting a dinner at which some companies paid 250,000 Kc ($8,900) for a seat at the table, but for inviting ailing state companies who receive government subsidies and tax breaks.

"Who would ever think that only a couple of days after...two coalition parties launched a criticism of the most famous dinner of the year and of the fact that ODS is financed by companies with state ownership, officials from the Finance Ministry (administrated by ODS) would suddenly discover that finances of ODA and KDU-CSL are not fine either," wrote columnist Jaroslav Veis in the weekly TYDEN. Others made similar intimations of meddling by ODS, the party of Czech Premier Vaclav Klaus, to damage the reputations of its critics.

The scandal of the Christian Democratic Union-Czechoslovak People's Party (KDU-CSL) is already well known. The party signed a 3 million Kc loan with an Italian entrepreneur in October 1992, but their Italian connection was later accused of drug trafficking and KDU-CSL was hit with allegations of money-laundering.

Party officials say they did not know who the Italian was and criticism against them gradually turned into simple allegations that they had broken the hard currency law by not declaring the loan to the Finance Ministry. KDU-CSL was to pay some 20,000 Kc ($715) in fines, but there had been little uproar until KDU-CSL began clamoring for ODS to give back the money from state-owned companies who paid to attend the dinner.

The talks about the punishment only returned in mid-December, but instead of 20,000 Kc it was up to 1 million. How much the Christians will finally be fined depends on what the Finance Ministry, with an ODS man at its head, decides in mid-January.

The second case of suspect financial backing hit the Civic Democratic Party (ODA). It was revealed that the party took a loan of 52 million Kc ($1.9 million) from Kreditni a Prumyslova Bank in 1992. But allegations surfaced last month that the bank's director, who was arrested December 12 on charges of fraud, had conspired with a friend of ODA to transfer the debt to another company and then cancel it, all allegedly in order to help the party.

ODA could be seriously affected if the courts order them to pay the debt back, since for instance in 1993 they had a budget surplus of only 18 million Kc, the Czech daily MLADA FRONTA DNES reported. The loan was due to be repaid by the end of 1996. Said party spokesman Daniel Rozanek December 30: "We would obviously have to get this money somehow."

Members Deal With Conflict Within Coalition

95CH0126A Prague PRAGUE POST in English 18-24 Jan 95 p 1

[Article by Jan Stojaspal: "Ruling Coalition Tries Desperately To Seal Fissure"]

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[FBIS Transcribed Text] Accusations that the nation's Security Information Service (BIS) was being used as a political tool have led to the most open conflict to date among governing-coalition members.

At a January 16 news conference, coalition-party members denied that the leadership of the four parties faced any sort of political crisis and agreed to place the matter before the parliamentary commission that oversees BIS operations. But the diplomatic statements followed days of bitter accusations.

Jan Kalvoda, chairman of the Civic Democratic Alliance (ODA), ignited the dispute, described as a "coalition war" by one newspaper, by publicly accusing the BIS of illegally collecting information on political parties.

Kalvoda referred to vast leaks of information accompanying the investigation of the Kreditni a prumyslova banka, from which the ODA borrowed 52 million Kc [Czech korunas] (slightly less than $2 million) in 1992. One of the allegations is that the loan was paid off through a cash swap between the bank and Marklap, a company allegedly established solely for this purpose. Bank executives—including owner Antonin Moravec—are being investigated on suspicion of fraud.

ODA spokesman David Rozanek charged that the BIS has been known to collect information on parties and deliberately "leak it to the press" with the aim of harming reputations. Rozanek labeled this a "political game," but he added that it remains an open question whom the game might serve.

Other ODA members drew a direct connection between the leaks and the ODA's criticism of a controversial charity dinner held by the Civic Democratic Party (ODS).

But Prime Minister Vaclav Klaus, the most prominent ODS member, has repeatedly defended the dinner, which was attended by representatives of state-owned companies who paid thousands of crowns each for the privilege.

"There are plenty of indications that there is some relationship between the criticism and the leaks," Oldrich Kuzilek, an ODA deputy and member of parliament's legal protection and security committee, told the daily MLADA FRONTA DNES.

The Christian Democratic Union-Czechoslovak People's Party (KDU-CSL) chimed in, with Chairman Josef Lux claiming that the KDU-CSL has identified "disconcerting signals of a similar type." The KDU-CSL, a coalition party, owes Kreditni a prumyslova banka 20 million Kc.

The ODS and the Christian Democratic Party (KDS)—the other coalition parties—said they had not noticed the signals Lux claimed to have seen.

Stanislav Devaty, director of the BIS, denied any BIS wrongdoing.

"If something like that happened, we would see it as challenge to the very fundamentals of democracy in the Czech Republic," said Klaus, quoting from an official statement of the ODS executive council.

Despite the conciliatory air of the coalition news conference. Klaus implicitly criticized ODA head Kalvoda. "I don't see the need," the prime minister said, "to go around the appropriate mechanisms by directly addressing the public."

Kalvoda, who also played down the intra-coalition conflict, said his party would take its evidence to the parliamentary commission that oversees the BIS. However, he expressed doubt that the commission could do anything because it only has the power to investigate completed BIS cases.

Since leveling the charges, Kalvoda has insisted that he has "plenty of evidence," but he has refused to present any information to back up his claims. This failure turned the heat back on Kalvoda and the ODA.

On Czech Television's political discussion series *Debata* January 15, Josef Zieleniec, deputy chairman of the ODS, accused the ODA of destabilizing the country's political system.

During the same program, Kalvoda denied having any such motive.

While Kalvoda claimed January 13 to have concrete evidence of BIS's illegally collecting information, the ODA seemed to have softened its claims over the weekend. By January 16, ODA spokesman Rozanek was saying that the party had received "indications" of such wrongdoing.

"It's very difficult," Rozanek said, "to have proof against a secret service, because it's secret, and this very secretive status makes it impossible to obtain too much solid evidence."

Charges Filed Against Former Communist Officials

95CH0108F Prague PROGNOSIS WEEKLY in English 11 Jan 95 p 7

[Article by Hana Lesenarova: "Criminal Charges for Communist Top Brass"]

[FBIS Transcribed Text] On the very last day before a statute of limitations was to expire, the country's State Attorney finally filed charges against seven top officials of the former Communist government for "illegally arming" the People's Militia, the party's special armed force.

The three-year investigation over whether giving tanks and guns to the People's Militia was illegal became so controversial in its last days that a furious Interior Minister Jan Ruml stepped in to make sure that the charges would be filed. Accusing investigators of being

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biased because they have ties to the former totalitarian regime, Ruml personally reversed the course of the investigation so that the former officials could be punished. Accordingly, the investigators filed charges December 29.

"It was an organization which was not based in the law, not even the Communist one," said Ruml at a special pre-New Year's party for journalists. "As the striking fist of the Communist Party, the People's Militia was armed against the law then. That means that those who decided about it have to bear the penal responsibility now."

The investigators said that charges would affect those members of the Central Committee of the Communist Party who in 1985 decided to arm the militia with cannons and machine guns, as well as those from the Defense Ministry who implemented the decision.

The seven officials include members of the former presidium of the Communist Party's Central Committee, the Defense Ministry, and the People's Militia's headquarters. They each face up to five years in jail if found guilty, according to the chief of the Czech Police's Bureau of Investigation, Vaclav Picka.

According to Czech press reports, the charges were filed against former General Secretary of the Communist Party Milos Jakes, former Premier Lubomir Strougal, former Defense Minister Milan Vaclavik, and former chief commander of the People's Militia Miroslav Novak. Also charged were former members of the Communist Party Presidium Josef Korcak and Karel Hoffman.

The Center for Investigation of Crimes of the Communist Regime had already launched the investigation in July last year and their 58-page file concerned many more than the seven officials, Center Director Bohuslav Hubalek said. However, some of them are not alive anymore or no longer live in the Czech Republic.

"Since 1948 (Communist Party) authorities organized and armed the People's Militia to protect the party interests without having any legal basis," read the file. "According to the law only a person with an appropriate permit from the former national committees was allowed to hold a gun."

The People's Militia was originally established in 1945 in companies and factories as a so-called Factory Militia, and after the Communist Party took over in 1948 they adopted the Militia for their own armed force. Hubalek said the Militia was heavily involved in most of the repressions since the 1950s and police violence during demonstrations in 1988 and 1989, including the November Revolution. According to Hubalek, they were even responsible for the death of an 18-year-old girl during the 1969 demonstrations.

"Not only was the People's Militia illegally breaking the law because they were armed as normal armed forces but they were also financed from companies' budgets, and that's illegal as well," he said.

The Bureau of Investigation concluded their work and announced December 22—only one week before the statute of limitations was to expire—that the suspected officials would not be prosecuted because some proof of the militia's legitimacy were found. "It is true that no law on People's Militia existed, but there were some laws that directly counted on their presence," said Vlastimil Kuzelsky from the Investigation Bureau in the Czech daily RUDE PRAVO.

The resolution came as a shock to many of those who wanted to see the officials behind bars. Interior Minister Ruml, who oversees police and investigators, was not informed about it at all.

"I consider this a serious and warning signal which tells us about an ongoing existence of connections to the pre-revolutionary era among some people in the penal proceedings," Ruml was quoted as saying by the Czech Press Agency. According to him the investigators' decision indicated that "in some cases the personnel at these institutions weren't properly cleansed of the past."

Justice Minister Jiri Novak agreed with him in the case of the People's Militia, but he was doubtful about investigators' Communist ties. "It's a question whether the police were not able to gather the evidence necessary to bring them to court and to convictions," said Novak according to the Czech daily MLADA FRONTA DNES.

There were also a few who kept defending the existence of the People's Militia. Reformed Communists claimed this force was "not an armed force of the Communist Party but an instrument enforcing interests of workers."

Miroslav Stepan, former head of Prague's Communist Party, was among the former Communist officials listed by Hubalek, but was not charged by the investigators. "I don't have anything to say to this. I think this whole case is doubtful, it is only supposed to substitute for something else," he said.

After Ruml's intervention December 29, the State Attorney decided to deliver the charges to the suspects.

"Of course the case of the People's Militia is not free of political context," Ruml said December 30. "And I expressed that with my rather severe statement. As it turned out it had its importance—seven people are now prosecuted—and that was the reason why I made that statement about it."

SPT Telecom Director Makovec Removed

95CH0114F Prague PRAGUE POST in English 17 Jan 95 p 5

[Article by Julie Jette: "Selection of SPT Telecom Partner Delayed"]

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[FBIS Transcribed Text] As critics continued taking shots at Jiri Makovec, the general director of SPT Telecom, the government announced that a strategic partner for the telephone company won't be selected until nearly two months later than originally planned.

The announcement from the Ministry of Economy came less than a week after the supervisory board removed general director Jiri Makovec from his position as chairman of SPT Telecom's board of directors. The ministry official who made the announcement did not, however, cite Makovec's removal as one of the reasons for the delay.

Michal Cupa, Telecom's deputy director for development, has been appointed to fill Makovec's position on the board until a replacement can be elected.

Makovec was criticized by members of the board for his antagonistic relationship with the press, and several contracts that he signed were called into question. The board ruled that a contract Makovec had made with Augustus, a firm that distributes phone cards, was not in the public interest.

The government is also questioning the company's practice of installing "priority" phone lines, or providing phone lines to individuals or businesses who are not on the waiting list, which can be years long. The priority lines are supposed to be assigned in the public interest, but SPT Telecom does not publish the names of recipients for either the public or the government.

It has always been rumored that it is possible to get a phone for a bribe, but Makovec and the company have flatly denied that any bribery takes place.

SPT Telecom is still 71 percent owned by the National Property Fund, the government agency that oversees companies undergoing privatization.

Only Economy Minister Karel Dyba has the authority to remove Makovec from his position as general director of the telephone company. Speculation has been mounting that he will do so.

Privatization Minister Jiri Skalicky told MLADA FRONTA DNES that he would welcome Makovec's dismissal, calling his management of the company unacceptable.

"If the tender is being disrupted or delayed by anything, it is the fact that completion of the company's financial analysis is creating problems...(in formulating) the tariff policy rules, which will be derived from this analysis. The current management is to blame for this to a large extent," Skalicky continued.

Deputy Finance Minister Svatoslav Novak cited poor communication between his ministry and SPT Telecom as the reason the telephone tariff policy—which should have been prepared by the end of Novemb_r—still isn't finished.

James Burke, executive director of Bell Atlantic International, one of the companies bidding for SPT Telecom, said the tender process has been slowing since November, when the companies didn't receive documents they had been expecting from the Ministry of Economy.

"I don't think anybody is purposely slowing the process down," Burke said. Rather, questions regarding the tariff policy are complex, and the ministry must balance what is best for the country and what will attract the strongest strategic partner.

Regarding the possibility of Makovec's removal from the post of general director, Burke said only that "a corporation takes on the character of the person who's leading it."

But he added that a major change in the character of the company would depend on how many members of the entire management team left along with the chief.

Burke also said that the companies are negotiating with the Ministry of Economy and the telecommunications committee, not with SPT Telecom. So even if Makovec is removed, the tone of negotiations should not change drastically.

Also delaying the tender process is the fact that it is still unclear how much of the network will be open to development by small, independent operators. The companies bidding will want to have some idea of who else will be operating, and where.

When the government unveiled its First Telecommunications Project last summer, it said that some parts of the network that are severely underserviced by SPT Telecom could be developed by private companies.

An association of small operators called a press conference in mid-December at which its members severely criticized the recently formulated conditions for their participation in Czech telecommunications.

The association complained that the regions in which entrepreneurs will be allowed to develop and operate networks, including the areas of Zabreh, Frydlant, Opava and Jesenik, won't allow the companies to make a profit.

Its members also complained that foreign participation in the companies was too limited. Under the government's conditions, a foreign partner can't hold more than 34 percent of one of the small operators.

If a company wishes to form a joint venture with SPT Telecom, the large operator can own up to 51 percent. The small operators will have to compete for licenses awarded by the Ministry of Economy to develop specific areas.

SPT Telecom will have a monopoly on intercity and international long-distance service until the year 2000, so the small operators will be allowed only to provide local service.

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Telecommunications entrepreneurs have repeatedly criticized Makovec for his unwillingness to cooperate with them, complaining that he has obstructed their efforts to work with SPT Telecom.

Army's Defense Manifesto Assessed

95CH0114E Prague PRAGUE POST in English 17 Jan 95 p 1

[Article by Brendan McNally and Alex Friedrich: "Czech Military Admits Its Weaknesses"]

[FBIS Transcribed Text] The Czech Republic's defense capabilities are "very limited," and the military is "helpless" in the face of attacks coming from more than one direction, according to a report that defines the mission of the Czech military for the next 10 years.

After finalizing its first five-year budget and defense plan, the Czech army has issued a declaration of its mission and capabilities.

"Military Strategy 1996-2005" is the army's first formal defense manifesto since the 1989 revolution. It outlines the structure and priorities of the Czech military, as well as its capabilities and limitations.

"It's one of the basic documents of a new state," said Miloslav Had, a researcher at the Institute for International Relations. "International partners must have an idea of Czech policy."

The paper outlines the possible military and nonmilitary threats that the Czech Republic could face during the next 10 years. While stating that Bohemia and Moravia are unlikely to become subject to a direct military attack, the report nevertheless mentions some "security risks" that could ensnare the country in a military conflict.

The biggest single threat could come from what it refers to as "political instability in the East," a thinly veiled reference to Russia. The document doesn't rule out an escalation of conflicts in the Balkans, either. It also mentions a possible threat posed by the "increasing influence of extremist forces pushing for the abrogation of postwar agreements."

According to the weekly RESPEKT, Czech intelligence sources said that statement refers to the Sudeten Germans. The document also mentions possible "nonmilitary threats," such as industrial and national disasters and the mass migration of people.

The Czech army will continue to rely on its long-standing model of "circular defense," a troop-deployment strategy that allows it to deter any single military attack. It stresses a show of strength as a deterrent.

"The army must be strong enough to make it clear...that the cost of aggression would far exceed any advantage that might be gained," it states.

The plan flatly dismisses any likelihood of equipping the Czech army up to NATO standards, since this would cost $7-$8 billion, a sum RESPEKT says is "several times the country's current defense budget." The Czech army's plans, the document notes, "only take into account the money at the Defense Ministry's disposal." The current budget, which is pegged at 2.5 percent of the Czech gross domestic product, will provide roughly 120 billion Kc ($4.4 billion) over the next five years for new equipment. Highest among the army's current priorities is the acquisition of a modern computer communication network, which the plan says will begin this year. Other near-term acquisitions will include the new L-159 jet fighter and upgrades for its tanks and MiG-21 fighter aircraft.

The document also provides the first view ever of the Czech military's shopping list beyond the current five-year budget cycle. Priorities will include air defense weapons, radio-electronic equipment and "intelligent" ammunition.

Although the document rules out the introduction of a professional army, it does call for the establishment of a professional corps of noncommissioned officers, considered the backbone of all Western armies.

Czech Arms Exports Overestimated by SIPRI

95CH0109A Prague RESPEKT in Czech 15 Jan 95 p 4

[Article by JS: "In The Arms Trade We Are 12th"]

[FBIS Translated Text] When the Stockholm International Peace Research Institute (SIPRI) published a report in the spring of last year, according to which the Czech Republic was the sixth largest exporter of arms in the world in 1993, it caused a scandal. For the Swedes asserted that after the division of CSFR, the Czechs increased their profits from the sale of arms eightfold (from DM100 million in 1992 to DM800 million in 1993). The Ministry of Industry and Trade, which keeps records of all exports of special equipment, firmly rejected this assertion. According to Minister Dlouhy, we are the twelfth largest exporter of arms, and in the mentioned year we only earned $167 million from the death trade. Then the whole thing was quietly forgotten.

The misunderstanding was explained after SIPRI, which even officials in the Czech government consider to be a "prestigious organization whose reports are usually very accurate" (V. Dlouhy), gave the Czech authorities the data on which its report was based. Stockholm collects only data about the export of so-called major conventional arms—that is, aircraft, armored vehicles, radars, guided missiles, and navy vessels (therefore light arms, such as pistols and submachine guns, are not included). According to the statistics of the Ministry of Industry, whose officials discount any possibility that even a single pistol could illegal cross our border, Czech companies sold in the year before last altogether 33 trainer aircraft (25 to Egypt and 8 to Thailand) and 8 used armored vehicles (1 to Slovakia and 7 through reexport from Hungary to Angola). The SIPRI document mentions 58 exported aircraft.

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Bretislav Gregr, who is responsible for issuing export licenses at the Ministry, explains the difference this way: "The Swedes have counted in the entire Egyptian contract, which means 48 aircraft, while 23 were not delivered until last year. It is a similar case with Thailand—according to the contract altogether 36 aircraft are involved, and the report erroneously states that we have already delivered 10 of them."

The inaccuracy of the SIPRI report can be explained by three facts. First, the Institute is not a statistical office and it follows the subject area in question from a global perspective. Therefore, the data of the Institute are always collated in 10-year columns. Second: the Swedish agency uses only so-called open sources to collect its information—that is, mainly the press or official diplomatic reports. Therefore, in the document which generated so much attention, sales of armored troop carriers are not included. And finally, there is the fact that the Swedish experts—as they themselves acknowledged in their dealings with the Czech side—do not know the exact price of our equipment. Therefore, they estimated the price according to the price of comparable West European aircraft, which are, of course, up to twice as expensive as ours.

Data about trade with military materiel for 1994 will be available by the end of January at the earliest. Director Gregr assumes that the numbers will be somewhat higher than in 1993, but the profits should not exceed the limit of $200 million. The Czech Republic will turn over a list of its sales to UN to be entered on its records, to which, however, only sales of heavy weapons (tanks, armored troop carriers, artillery, aircraft, helicopters, rockets and rocket mobil launcher systems) are reported. Records of contracts dealing with light weapons—the year before last we exported $18 million worth of those—are not kept on the international level.

DER SPIEGEL's Allegation About Arms Sales

95CH0114D Prague PRAGUE POST in English 17 Jan 95 p 2

[Article by Alex Friedrich: "German Allegation of Weapon Sales Gets Czechs Up in Arms"]

[FBIS Transcribed Text] Czech officials bristled at an allegation by a German news magazine that this country is a weapons market for a militant Islamic group.

The magazine DER SPIEGEL mentioned the former Czechoslovakia as a major arms market for the fundamentalist Islamic Salvation Front (FIS), supplying Algerian militants.

The magazine's statement came in the wake of the Christmas Eve hijacking of an Air France jet by members of the Armed Islamic Group (GIA). The GIA and the FIS are among several Islamic fundamentalist groups opposing Algeria's army-backed regime.

DER SPIEGEL, based in Hamburg, published an article in its January 2 issue saying German security officials consider their country to be the main transit point for weapons being sent through the FIS to Algeria. Furthermore, it wrote that front members shopped for these weapons in the Czech and Slovak republics. The article cited no specific cases.

Czech Interior Ministry officials immediately denied the country was selling arms to the FIS, and parliamentary legal protection and security committee chairman Vladimir Suman said he would approach German officials to find out where they got their information.

Bretislav Gregr, director of special materials licensing at the Ministry of Trade and Industry, said no arms had been exported to Algeria in the past two years, only spare parts for weapons already sanctioned by the government.

"We know nothing about the export of weapons to Islamic fundamentalists," he said, "and no one has given us any details. To start an investigation, we need to know more."

Ministry of Trade spokesma[illegible]mil Cermak told the Czech daily LIDOVE NOVI[illegible]hat the ministry sells weapons only to those parties who guarantee in the contract that they are the end user.

Czech intelligence sources quoted in LIDOVE NOVINY did not confirm the DER SPIEGEL statement.

Interior Ministry spokesman Jan Subert said the presence of Czech weapons in the hands of extremist groups does not mean that the current Czech government has failed to control their export.

Russia To Reprocess Spent Nuclear Fuel

95CH0114C Prague PROGNOSIS WEEKLY in English 18 Jan 95 p 2

[Article by Marta Sajkowski: "New Czech-Russian Nuclear Deal Could Bring Weapons-Grade Material"]

[FBIS Transcribed Text] In a nuclear deal that is raising eyebrows in both the Czech Republic and Russia, the Czech government is looking to contract with Russia to reprocess spent fuel from its nuclear reactors into high-grade material usable for weapons production.

The contract, signed by both governments in December as part of a framework of agreements on nuclear materials, would set up a pipeline for once-used fuel to be sent across Eastern Europe and into Russia, reprocessed there into enriched uranium and weapons-grade plutonium, and then sent back to the Czech Republic.

The Czech government says that the reprocessed fuel will be used solely to power nuclear reactors, of which the country has four with two more at the twin-towered plant in Temelin set to come on-line in 1997. But even if

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the Czech Republic has no nuclear ambitions, it would have a long list of potential buyers for such sensitive, valuable material.

"There are no direct plans to go ahead with the agreement on reprocessing," said Ivan Novak, director of the nuclear department at the Ministry of Industry and Trade, which has negotiated the agreement. "If reprocessing were to take place the plutonium would be used for fuel."

Novak adds that there are good reasons to want such materials in the Czech Republic as opposed to Russia. "Anyway, the plutonium would be a lot safer here in the Czech Republic than in Russia, because of international safeguards that would make it more difficult for the Czech Republic to develop nuclear weapons than it is in Russia."

The key fact for some, however, is that the material shipped back to the Czech Republic, if indeed all makes it back, will be usable for nuclear weapons. Given the seizure of three kilograms of smuggled Uranium 235 by Czech police in Prague 7 last month, the situation is all the more tense.

The U.S. government revealed last June that atomic tests using reactor-grade plutonium from British nuclear facilities confirmed that all plutonium is potentially a nuclear explosive, although using reprocessed plutonium to make a bomb is a long, inefficient process. But any country storing plutonium is a nation that has a nuclear weapons option on short notice, said V. Glinsky, a commissioner at the U.S. Nuclear Regulatory Commission.

Hans Meyer of the International Atomic Energy Agency (IAEA) said that the controversial Czech-Russian agreement is in fact perfectly legal, especially since "the Czech Republic and Russia are signatories of the treaty on nonproliferation of nuclear weapons, (and) both will inform us if there comes to be movement of any kind of nuclear materials."

The final destination of the plutonium remains unaccounted for: there are new storage facilities being built for spent nuclear fuel but the Czech Department of Nuclear Energy claims that the reprocessed fuel coming back from Russia would not need to be stored, it would be put immediately into use.

According to Petr Hlobil from the Czech branch of Greenpeace, which is currently protesting this agreement along with the Ukrainian chapter, any countries who are interested in building up a nuclear arsenal will be potential buyers of this reprocessed plutonium. North Korea, Libya and Iraq are all potential customers, he said.

To the government's contention that it is not really interested in reprocessing the fuel, Hlobil said: "If the Czech government isn't interested in plutonium it would not have included it in this intergovernmental agreement."

According to Greenpeace, one of the fears is that by contracting the Soviet Union to reprocess spent nuclear fuel into uranium and plutonium, the Czech Republic will play a part in supplying more nuclear material for the illegal nuclear weapons market. The contract, it says, will create yet another source of nuclear material with a high possibility of theft.

The contract can still be opposed by the Russian Parliament under current Russian law, because of a current ban on the import of radioactive waste without parliamentary approval.

A similar agreement was attempted between Hungary and Russia last year but was blocked by the Russian Parliament under this law.

The Russian Parliament may prove a fatal hurdle for the agreement, because the process of converting spent fuel into enriched uranium and plutonium is quite dangerous and many MPs there do not trust the government to make decisions concerning the welfare of Russian citizens.

The reprocessing is set to take place in the industrial complex known as "Mayak" in the city of Chelybinsk-65, which lies 15 kilometers east of the city of Kyshtym. The Mayak complex was established during the post-war period for the sole purpose of producing plutonium and other nuclear material for Soviet atomic bombs. When asked about the reprocessing facilities in Russia, Novak said that, "The condition of the reprocessing plant is not good and we expect it will have to be improved."

The pollution associated with reprocessing is very high. The town where the reprocessing will take place has reported numerous incidents of radioactive contamination, chronic radiation syndrome among residents, and embryonic mutation. Citizens have been evacuated several times and, on territory contaminated by two accidents, the infant mortality rate has soared to one out of seven babies born.

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Holbrooke Talks With Leaders, Ends Visit

LD2402211295 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 2030 GMT 24 Feb 95

[FBIS Translated Text] Richard Holbrooke, U.S. Assistant Secretary of State for Europe and Canada, ended his two-day visit to Slovakia today, and left Bratislava.

During his visit he met President Michal Kovac, National Council Chairman Ivan Gasparovic, Prime Minister Vladimir Meciar, and other officials. He briefed them about the U.S. initiative in support of peace and stability in Europe through a new security initiative, including a gradual enlargement of NATO and the strengthening of the Partnership for Peace program, and an increased role to be played by the Organization for Security and Cooperation in Europe, as well as close relations between NATO and Russia.

During a news briefing, Richard Holbrooke praised Slovakia's effort to become integrated in Western economic and security structures. He once again stressed that the United States supports Slovakia's transformation in a pluralistic democracy and a market economy.

Meciar Evaluated, Portrayed as 'Big Brother'

95CH0130A Prague PROGNOSIS WEEKLY in English 19-25 Jan 95 p 4

[Article by Jana Dorotkova: "Meciar 'Stabilization' on Track"]

[FBIS Transcribed Text] Bratislava—I am going to be very biased here, because I am tired and unable to control myself. I apologize in advance for being angry and ironic.

I am not alone among those who should apologize, however. My friend Ana (not her real name), a Slovak who works for the BBC, is one who should apologize as Well. In a statement that many, many Slovaks would agree with, she said last week as we drove from a press conference: "In the end, there will be one good Meciar and five million evil Slovaks in this country."

Ana must also be tired. Her eyes must not be working right, because she is unable to see the truth.

The truth is that Mr. Vladimir Meciar is finally stabilizing the political situation in Slovakia. That's right, stabilizing. He has been unable to do so for some time, but he is making progress, now that his political opponents are letting him and his government, supported by fully 25 percent of the electorate, work in peace. It's about time. Since 1991 his opponents have twice voted him out as premier—again, not letting him stabilize the country.

Meciar is able to stabilize the country now largely because 75 pecent of voters either split their vote among 16 parties, or didn't vote at all. Fortunately, because such is the case, Meciar's 25 percent is plenty to stabilize the situation.

It's complicated, though. Thanks to the stabilization effort, for example, some people are beginning to think that "democracy" in Slovakia is endangered. In a public opinion poll in November, more than 70 percent of people said they were, to some extent, worried that last October's election results (which brought Meciar to power again) threaten democratic development in Slovakia.

Others have even been saying weirder, nastier things about Meciar. They say he is a lying, double-talking, paranoid, power-crazy tyrant who is driving Slovakia down the road to ruin.

The poor, blind fools. They remind me of prehistoric people who were afraid of lightning. Can't they see? As Meciar said at the swearing in of his cabinet December 14: "If they let us work in peace for four years, Slovakia will become the most successful country in Eastern Europe."

Meciar began building his latest government when he successfully stabilized Parliament during an all-night session November 3-4. His allies, the Slovak nationalist and worker parties, appointed themselves to all parliament committees and chairmanships, thus forming iron majorities. The most dangerous opposition members were elected into the Committee for the Environment, where they now form a majority. Though the chairman and vice-chairman of that committee are Meciar's people, this non-Meciar majority has nevertheless brought fear about what destabilization might happen to the delicate Slovak environment.

At least the state-run media are in good, stable hands. The Slovak Radio director is Meciar's deputy; the director of the Slovak News Agency is the former head of Meciar's press office; and the director of Slovak Television is also chair of the Association of Slovak Journalists—a group formerly known as the Association of Journalists for a Good Picture of Slovakia Abroad.

On a larger perspective, the good picture-making—and stabilization—of our country actually began January 1, 1993, when Meciar led the way and cut Slovakia from Czechoslovakia. Some people still don't fully appreciate the greatness of this gift.

But if Meciar can get his four years of peace to complete his stabilization, they most certainly will appreciate all that he has done. And as I say, Meciar is finally on his way. Last week, his government approved its program for the greater future. Or as his economic expert and Finance Minister Sergej Kozlik said, the new government program is "unprecedented" among the post-Communist countries.

We journalists were told the necessary details at a press conference last week. We didn't understand all that the

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officials were saying, of course, because, as the officials said, these economic things and stuff are, after all, topics for certified economic experts and not for writers.

Even so, some of the journalists wanted to ask questions. One of them from the TV station, obviously too young to understand the world (I remember him from the university, when he was in the strike committee and was interested in bringing down communism), quoted Kozlik as saying that according to the government's program, members of Parliament shall be restricted to debating only the government's program, and there shall be no—none—messing with the programs of other parties. Of course, none of the other parties' programs are as ingenious nor as total as Meciar's. Meciar's—and I'm not making this up—covers every aspect of the country and provides a vision for stabilization and greatness that is unequaled.

But this young TV guy from the university didn't seem to understand. He asked Meciar, whether, given the past, he believed his government could be politically "stable."

This young guy must have thought he was smart. Meciar, though, gave him a much smarter answer.

"I see no problem here," he said, a fatherly tone in his voice. He pointed at the ministers surrounding him. "There are four of us sitting behind this table, and when we work, each of us has a little different opinion. Only because of that can we cooperate. The same is true for political partners. Every party in the country is independent. It is bound to support the government only as far as the government program is concerned.... If a party leadership has a different opinion on some problem in the government program, it doesn't mean that it won't support the government in Parliament. Outside the government and Parliament, the parties can do their independent policies. An absolute identification with the government would mean erasing the differences between the parties. And that cannot happen. Nobody wants to lose their identity. On the contrary, the variety shall help things be better."

I am happy. All my life I have had only three sisters. Finally, though, I have another sibling.

I think I'll call him Big Brother.

Attempt To Regulate Broadcast Media Reported

95CH0113A Prague PRAGUE POST in English 17 Jan 95 p 4

[Article by Steven Mihailovich: "Media Watchdogs Take Action"]

[FBIS Transcribed Text] Bratislava—When the government coalition led by Vladimir Meciar assumed power, one of its first acts was to tell people about itself, to the exclusion of almost any other information.

The government quickly replaced members and directors of the state-run Slovak News Agency (TA SR) and the Council for Radio and Television Broadcasting with new people more inclined to present a "truthful picture of Slovakia."

"Meciar is a very strong leader and a good politician," said Ctivor Brezak, a writer for SMENA, a Slovak daily newspaper run by TA SR. "He wants control, so he takes every step he can to get control."

Analysts generally agree that the move was designed to allow the government to regulate strictly the broadcast media and will give the ruling coalition the power to dictate the issues and items that will pass for news in Slovakia. Such a situation will ensure that the Slovak public receives information that puts the government's actions in a favorable light and restricts access for opposing viewpoints.

Print journalists, who have not yet been affected by the changes, worry they will be next. The government's intervention in the media has already produced visible effects.

Only days after the broadcast boards were replaced, several evening news programs became little more than showcases for lengthy speeches by coalition members. On air, reporters simply identified the speaker and let the tape roll.

"We have a TV program that features discussions with politicians," said Brezak. "Before the elections, there were politicians from every party. Now there are only discussions with the ruling parties."

"If there is some political news or information (in the broadcast media), it is a celebration of the new government," said Boris Koren, staff writer for SME, an opposition Slovak daily. "In other words, there is only official news on TV. There is no investigative reporting, and criticism has disappeared."

The new councils wasted no time adding new casualties to the "missing" list, pulling the plug on shows with political content such as "Appropo TV," "Halusky" and "Evening With Milan Markovic," which all produced satire aimed at issues and politicians.

"The biggest paradox is that these programs are the most successful, and many people watched them," said Koren.

Although the electronic media is not entirely owned by the state, the government exercises its authority over the industry through the power of the purse. Because broadcasting in Slovakia is subsidized, the government has been able to shroud its actions with arguments from the ledger book.

"The television director stopped these programs because he said they were very expensive," said Brezak of the canceled shows. "If we had commercial television, then these popular programs might have survived."

Western and Slovak political observers argued that this is not the end. They point out that the newly appointed

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director of the Council of Television and Radio Broadcasting is the body's ninth in four years. But it is the brutally quick method of change that has attracted the most attention.

"In Slovakia, every government wants control of television and radio," said Brezak. "It's not just Meciar, (former Prime Ministers Jan Carnogursky and Jozef Moravcik) also did it, but they were more delicate. Meciar is more direct, his style is very rural and reflects his background."

Public reaction to the developments depends on whether the individual supported or opposed the new government in the election. Many Slovaks have learned to bypass the government's control of the broadcast media by obtaining satellites to watch Czech news programs.

Perhaps the greatest reason for the mass acquiescence to the government's media manipulation is a psychological one.

"Public opinion is that nothing can change," said Brezak. "It is a problem for all post-communist countries. In the United States, people ask where and how their money is being spent, and they monitor the government. But in all of Eastern Europe, people just accept government moves."

Although most newspapers in Slovakia are independently owned, the government has numerous tools at its disposal to help it influence the topics focused on by the print media.

The Post Newspaper Service (PNS), the only distributor large enough to handle the circulation of the large Slovak dailies, is entirely state-run. There is talk of increasing the tax on newspapers from 6 to 22 percent. Major advertising clients, such as banks and industrial companies, are owned by the state. Finally, since newspapers have no legal right to demand information from the government, the ruling party can easily stonewall certain publications, thus cutting off an important source of information and forcing newspapers to fold from an inability to report.

The biggest obstacle to the government's designs may be the fear of being ostracized by the West. With Meciar committed to membership in Western institutions such as the European Union and NATO, putting pressure on the press might make those goals much more difficult.

"Meciar knows we need money from the West, and that we must take steps to join the EU and the West," said Koren. "He knows if he does move to restrict the press, he will have problems with the Council of Europe, the U.S. Congress and so on."

With the government unable to control information coming out of Slovakia, further moves against the media in the near future could be arrested. The final result will therefore depend on what kind of Slovakia is wanted by those people that the media and the government are trying to influence—the electorate.

"Everything depends on this step," said Koren. "You couldn't say that in Slovakia there is no freedom of the press and mass media. There are private radio stations and newspapers. Some steps of the new coalition are not according to democratic traditions of Western Europe. But it is true that in Slovakia, the government doesn't use the usual vocabulary of democracy."

Meciar Denies Pressure

95CH0100B Prague HOSPODARSKE NOVINY in Czech 28 Dec 95 p 4

[Article by Oldrich Zabojnik: "Meciar Gives Assurances About Independence of Slovak Media"]

[FBIS Translated Text] Bratislava—Slovak Prime Minister Vladimir Meciar yesterday rejected the criticism that his movement together with the other governing partners brought television and radio, entities under public law, under its control, and that it is getting ready to increase the tax on the sale of newspapers from 6 to 25 percent in order to silence opposition daily papers. "We must refute the report that the parliamentary majority of 83 deputies of the governing parties has these media in its hands. That is not true," Meciar declared in a broadcast interview. He pointed out that Slovakia applies the principle that television and radio are to be entities under public law and should not belong to any party. However, according to Meciar, after the fall of his government in March the pertinent supervisory agencies were again established on the partisan principle, which practice was abolished when his new cabinet came into power.

"In the councils of the Slovak Television and Radio there are people who are independent. Not one is a member of the parties that constitute the governing coalition. They are people who are held in high esteem, and the only thing for which they are attacked and mistrusted is the fact that they belong to the national-democratic stream," he asserted, and asked the question whether television and radio will cease to be objective "when the hateful tone toward everything that is Slovak or pro-Slovak will no longer be heard from them."

Kubecek Views Nationalized Industry Liquidation

95CH0103B Prague EKONOM in Czech 11 Jan 95 pp 46, 48

[Interview with Jaroslav Kubecek, chief of the Office of the Ministry of Economics, by Marcela Zabojnikova; place and date not given: "The Liquidation of State Enterprises Is Inevitable"]

[FBIS Translated Text] *As of 1 November 1994, a total of 145 state enterprises in Slovakia were destined for liquidation; that number included 42 industrial enterprises, 65 construction enterprises, and 38 commercial enterprises.*

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We spoke of this process with Eng. Jaroslav Kubecek, the chief of the Office of the Ministry of Economics of the Slovak Republic.

[Zabojnikova] Was it really necessary to resort to liquidating enterprises, a process which still further exacerbates the crisis in the social sphere?

[Kubecek] Liquidation is one of the effective forms of transforming and restructuring the economy. In some areas, it turned out that the high number of liquidated enterprises is the result of privatization and of overall changes in the entrepreneurial concept. For example, a number of commercial enterprises failed, but business as such in Slovakia did not suffer in any way, quite the opposite. Many additional commercial units came into being in which the assortment of goods was substantially expanded. Insofar as production organizations are concerned, many simply had outlived their usefulness. This is particularly noticeable in the construction industry. The fact that capital construction today is substantially limited resulted in the demise of the majority of the large construction organizations because they were not capable of staying viable economically and coming to terms with that which a whole network of small construction firms is offering today. This is true not only of the large construction enterprises engaged in aboveground and industrial construction, but also applies to the production of building materials. Mostly, this has to do with enterprises of the Prefa organization, where panels and prefabricated components were being manufactured which were unable to prevail against competition in the market because of their material structure and product quality. Other organizations were unable to assert themselves for reasons of specific downsizing, particularly in housing construction, despite the fact that they reduced their producer costs substantially.

[Zabojnikova] How can this process be evaluated in industry?

[Kubecek] In industry, this is primarily a problem of smaller enterprises and the remains of state enterprises after their transformation. But included in this number are even well-known and large enterprises such as the nickel smelter at Sered, Kovosmalt at Filakovo, the Gemer Cellulose Plant and Paper Mill, Tesla at Bratislava, and others. The liquidation of these enterprises is logically justified. What is worse, however, is that even such production facilities which could do well today were liquidated, particularly armaments production facilities. Here, we lost something that will cause us tremendous problems for a long time to come. Also, a number of production facilities and production enterprises which were connected with the armaments industry were liquidated. And this occurred solely because an unacceptable political climate was created. But that is a deeper problem, which reaches into history. But the fact that nonprospering enterprises are being liquidated need not be regarded as any kind of tragedy.

[Zabojnikova] From time to time, one hears voices indicating that some enterprises, particularly large ones, which should have long since been liquidated for objective reasons, are being artificially kept above water by the state. Are such conjectures justified?

[Kubecek] This is nonsense. Apart from certain resources which we are expending at the present to liquidate the coal and ore-mining industry, no other resources are being channeled to other enterprises.

[Zabojnikova] You mentioned coal and ore-mining industry. There are even polemics which involve the liquidation of the Slovak mines. Some experts are demanding that mining activities be preserved and are opposed to the importation of coal from other countries.

[Kubecek] First of all, I would like to ask where these "specialists" were when the energy and raw materials concept, the concept for the ore-mining and mineral-mining industry was being worked out, and why they did not express their opinions at that time? I dare say that the decisions, which were made at that time, were good ones and reflected world events at that particular time. When at that time prices of raw materials were on such a level that the state lacked the resources to continue nourishing these organizations through subsidies, that which happened had to happen: the gradual liquidation of the mines. If there is a different price situation today, this still does not mean that Slovak mines are efficient.

[Zabojnikova] What is the most frequent reason for the liquidation of an enterprise?

[Kubecek] Primarily, a new economic climate which has developed here. A number of enterprises failed to master the transition to a market environment. Some, because we did not create actual appropriate conditions, others because they proved to be superfluous. Some enterprises—including some useful ones—were liquidated because the transition to a market environment was not mastered by the management of the enterprise itself. On the other hand, however, it cannot be said that enterprises are being liquidated solely because they have weak managements. During the course of the transformation, many enterprises paid the price for shortcomings which survived from the previous period. Even at the present, a number of enterprises frequently experience problems with insolvency, because they were severely undercapitalized. They were, so to speak, hung up on credits and, given the current movement of capital and the shortage of credits and financial resources, proved incapable of surviving and ended up being liquidated.

[Zabojnikova] How does the actual process of liquidation function? Is anyone at all interested in liquidated entities?

[Kubecek] The technical aspects of liquidation are essentially simple. An enterprise declares its liquidation, records that fact in the register, identifies a liquidator, prepares a program for liquidation which is voted on, and begins to liquidate itself. At first glance, this sounds

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very simple, but the process itself is a bit more complicated. The total value of the basic property of liquidated enterprises is approximately 6 billion Slovak korunas [Sk], which is less than the basic worth of the Slovnaft Enterprise or some other large factory. The notion that the enterprise can be liquidated in two to three months is in error. In our country, this process essentially proceeds as it does elsewhere in the world—that is to say, the liquidation takes two, three, or even five years. It is true that a smaller enterprise can be liquidated in six to eight months. It also depends on what is being liquidated. The liquidation of a commercial organization, which primarily involves the liquidation of supplies which have remained unsold, is relatively simple. Such facilities are liquidated relatively quickly because they are operating units which someone else will always buy. The situation is worse when a production facility is being liquidated, where, in addition to supplies, machinery and equipment, buildings, the entire property is being liquidated. In addition, there are resources here which are tied up. The banks are reluctant to enter upon this process and, so, liquidation proceeds at a slower pace.

Liquidation is precisely defined by law. The liquidator puts together a listing of property and offers it at auction. The sale is still subject to approval by the Ministry for the Administration and Privatization of National Property of the Slovak Republic. This is a direct sale of property and the form of sale is up to the liquidator. As soon as a creditor appears, a complicated situation arises. Some enterprises do not even have enough resources to pay for an advertisement regarding bankruptcy. To assist such enterprises, therefore, the Ministry of Economics of the Slovak Republic established a fund to which resources are channeled from any possible surplus resulting from the liquidation of other enterprises.

[Zabojnikova] And as far as those interested are concerned?

[Kubecek] If you have in mind foreign interestees, they can be found also, but foreign businessmen are showing interest only in portions of enterprises—there has not been a single case in which a large entity has been sold. The matter is generally the same in terms of construction organizations—a large organization will disintegrate and eight to 10 smaller ones will develop. In industry, in many cases production processes which have some prospects for success are continued, while the basic production program is discontinued. In commercial organizations, there are new businessmen who, for the most part, have a new entrepreneurial purpose in mind.

[Zabojnikova] Would it be possible to say in which regions and branches there was the greatest liquidation of state enterprises?

[Kubecek] What is interesting—and, on the other hand, even logical—is the fact that the okreses with the greatest unemployment, such as Rimavska Sobota, Lucenec, Orava, or Kysuce, do not have the largest number of enterprises being liquidated. Although their efficiency is considerably lower, enterprises are remaining there. Liquidation of enterprises is more likely to take place in economically more specific regions. The logic lies in the fact that in industrially more obsolescent okreses there are fewer plants and liquidation of a single one of these plants here could result in a catastrophe. On the other hand, if, let us say, even 10 enterprises were to fail in Bratislava, only a few people may feel the impact from that action.

[Zabojnikova] But people are the most important thing. Does the state bear any kind of responsibility for those who lose their jobs as a result of the liquidation of an enterprise?

[Kubecek] Of course, it bears responsibility. In case of a liquidation, the claims of the employees are the first thing that is satisfied and only then come the claims of the state budget and other entities. The state guarantees employees separation pay and the liquidator has the duty of seeking such future owners as would purchase the maximum portion of the former state enterprise. It is true that this is not successful in every case. It must also be stated that an enterprise which is going into liquidation already has a significantly reduced number of employees—as a rule, there are only 20 to 30 percent of the original number left.

[Zabojnikova] At the conclusion of our interview, I cannot resist asking a question which is not altogether related to our topic. How do you view the highly debated question of privatizing the energy and gas industry in Slovakia?

[Kubecek] Privatization in the energy industry has not faltered. The Slovak Energy Enterprise has already been privatized. Personally, I believe that it was not exactly the most fortuitous solution to give the property of this enterprise over to coupon privatization. It should have been better transformed into a state stock corporation. Small electric power plants were sold to private interests. I consider the sale through coupon privatization to be, in fact, a sort of camouflage. A few interested parties will be found, but if they were more familiar with the financial essence and particularly with the fact that even in the future the grouping of enterprises will need to invest enormous resources, everyone would reconsider entering into such a business. But I see no reason why a certain number of energy distribution enterprises could not be turned over for coupon privatization, where some would be left permanently in the hands of the state and some would pass to the ownership of towns and communities. In any event, this was already even approved and it has its own logic; after all, these energy enterprises cooperate very closely with an entire structure of the local administration of towns and communities.

As far as the Slovak Gas Works Industry is concerned, I am fundamentally opposed to doing anything other than transforming this into a stock corporation with 100-percent state participation in this phase. Everywhere in

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the world, gas is a highly interesting raw material. I would be surprised at any country which would permit the redistribution of the high profits from such an organization to someone else.

Overview of the Number of Enterprises and Organizations Within the Jurisdiction of the Ministry of Economics of the Slovak Republic by Sections and Activities (as of 1 November 1994)

Item	Number of Organizations				
		Including			
	Total	State Enterprise	Stock Corporation	Other Organizations	Number Liquidated
Commercial Policy Section					
Commerce	65	26	—	4	35
Basic Branch Section					
Metallurgy	5	1	—	1	3
Fuels and energy	13	12	—	1	—
Ore mines and refractory industry	12	12	—	—	—
Engineering and Electrotechnical Section					
Engineering	52	34	3	3	12
Electrotechnical industry	29	10	1	—	18
Chemical and Consumer Industry Section					
Cellulose and paper industry	3	2	—	—	1
Woodworking and furniture industry	16	12	—	2	2
Chemical industry	18	15	3	—	—
Pharmaceutical industry	1	1	—	—	—
Leatherworking and footwear industry	6	5	—	—	1
Clothing industry	6	5	—	—	1
Polygraphic industry	9	8	—	—	1
Glass industry	7	4	3	—	—
Textile industry	23	19	—	—	4
Waste raw materials collection	12	8	—	2	2
Construction Industry Section					
Construction materials	66	43	—	1	22
Construction activity	118	69	—	—	49
Tourism Section					
Tourism	5	3	—	—	2
Total	466	289	10	14	153

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Bisak Coments on Progress of Privatization

95CH0103A Bratislava HOSPODARSKE NOVINY in Slovak 30 Dec 94 pp 1-2

[Article by buj: "Where Are You Going, Privatization?"]

[FBIS Translated Text] Bratislava (buj)—From the very beginning of the privatization process, the coupon method of privatization has given rise to much polemics. Most frequently, these discussions bore on the method involved, the possibilities for various speculations, the inadequacy of controls, the amount of property being sought after by potential investors. While the government of former Prime Minister J. Moravcik was preparing for the second round of this "nationwide investment game," voices were already being heard at the time regarding the incomplete nature of preparedness, and yet registration for the second round was begun and was participated in by more than three million citizens. And since that time, these citizens are awaiting the announced preliminary round. The government cabinet of V. Meciar, however, retarded the start of privatization after long considerations.

"We definitely are not interested in halting privatization, quite to the contrary, we wish to make it more dynamic," stressed Minister P. Bisak. "Our Ministry for the Administration and Privatization of National Property has currently evaluated the existing status and has set priorities covering subsequent progress. We are concerned with consistently evaluating the offerings of property and its realization. In the first half of January, we should have a precise—and even augmented—register of enterprises destined for coupon privatization available. We are interested in including all interested entities in the preparations for the preliminary round and the entire second round as well. Each ministry will, thus, consult regarding its property offerings not only with the trade unions, but also with employer organizations. This is so that the submitted concept, which will be part of the government's program declaration, will be of maximum objectivity and responsibility. The sponsor for the entire process is, of course, our ministry." According to additional information, the ministries will submit their adjusted and augmented offerings during the first half of January 1995. Subsequently, following the gathering of all interested parties and the markup of the respective materials involved, we shall be in a position to know all specific deadlines and principles which will be governing coupon privatization in the second half of January.

Errors, Successes of Privatization Process Viewed

95CH0132C Bratislava HOSPODARSKE NOVINY in Slovak 13 Jan 95 p 9

[Article by Ignac Prno, candidate of sciences: "How To Privatize Effectively"]

[FBIS Translated Text] The current approach to solving economic problems in this country is based on macroeconomic notions of present-day economic theory. The importance of macroeconomic instruments is overrated, because they can only be effective in Western market economies where economic entities have become sorted out as a result of the competitive struggle which has lasted for centuries. These instruments can essentially not be used to influence the functionality of the economy given the prevalence of state enterprises, because these enterprises are not sensitive to the stimuli of the market nor are they sensitive to the influence of macroeconomic instruments. State enterprises did not come into being as living systems as a result of the evolutionary development in a competitive environment, but came into being through administrative measures without recognizing the principles of rational administration which leads to survival under the demanding conditions of the marketplace. Therefore, a state enterprise is only a dummy living system and is not capable of making optimum use of enterprise resources. Its administration always had to be checked by a superimposed system and had to be controlled by a large number of regulations.

Hidden "Reserves"

Even in the face of a direct assignment of tasks, employees here never became blind followers of orders "from above." The survival principle was asserted, but in a totally different way: It led to the creation of illegal (unplanned) reserves which in actual fact represented a squandering of materials and the failure to utilize the capacities of employees and machines. This was a way of guarding against the uncertainty of fulfilling the command plan in the event of unexpected production shortfalls. But such "hidden" reserves were actually losses for the enterprise. They generally represented a sizable portion of the costs and had a continuously growing tendency.

Even though these tremendous damages were known, no solution was found because the management centers failed to understand that it is a natural effort by every living organism to create backup supplies against unforeseen circumstances. The most successful director of a state enterprise was the one who proved able to have the superior organization approve the "softest" plan for him. Losses from tasks so assigned were not perceived by anybody, they were transferred to the state budget and found their way back unobtrusively as redistribution reflected in the wages of the populace. (This was also one of the principal reasons for the failure of the socialist system.)

Entry by State Enterprises in the Market

Making it possible for state enterprises to join the market economy after 1989 as autonomous entities, supposing them to be capable of making independent rational decisions, was a very serious error. Combining state enterprises (as nonliving entities) with the market is bound to lead to even greater losses which are then already comparable to natural disasters (without regard to what kind of macroeconomic instruments are

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applied). The free conduct of business by state enterprises in the market leads to catastrophic losses because the leading workers of state enterprises are not connected to the internal resources of the enterprise on the basis of the principle of preserving their own existence. They can cause enterprises to have losses without being in any way personally impacted by this. And quite contrary, bad management can bring them gain through the most varied forms of corruption. (The inclination toward this kind of management during the pre-November economy was attenuated by the directive plan and by the quantity of regulations.)

The Reaction in the Market Is Decisive

Professor North, when accepting the Nobel Prize last year, stated that economic science does not have a theory to solve the transformation of the economies in central and East Europe. The lack of a plan and theoretical stumbling is the very reason for recurrent problems being experienced by these economies. As a result, the citizenry is fighting shortages, which in turn leads to political instability. However, essentially everywhere a similar approach to reshaping the economy is being taken: The central directive system was rapidly replaced by the market and the fact that a market economy can only function if the predominant portion of the economic entities is made up of private enterprises was forgotten. But not just any kind of private enterprises, only those in which the owners are personally connected with the economic results of their enterprises. It is only such enterprises that can be perceived as being living systems capable of sensitively reacting to the stimuli of the marketplace and can economize with their resources. Only if we find entities within the enterprise who react to losses with just as much pain as if they were being wounded in their own bodies can an enterprise be seen as a living system.

The Key Is the Relationship With Regard to Losses

We can test the viability of an enterprise on the basis of its capability to react to damages or to positive influences. If the enterprise were to be owned only by holders of investment coupons, its capability to react is virtually zero. The predominant majority of holders of investment coupons simply do not know what is going on in the enterprises in which they own a share. That is because their share is so negligible that it does not promote any livelihood connections with the processes which are ongoing within the enterprise. Also, representatives of investment funds or the National Property Fund of the Slovak Republic, sitting on oversight councils or on boards of directors, cannot replace actual owners because losses do not impact on them directly, losses are distributed to the large number of holders of investment coupons or exert a negative influence upon the property of the National Property Fund. This tearing away of the ownership from the processes which are ongoing in the enterprises must, of necessity, have very unfavorable consequences for managing enterprises which have been so unprofessionally privatized. The consequences of this form of privatization can be observed like an unhaltable trend toward the most varied forms of corruption because none of the responsible management entities is personally directly impacted by losses which occur.

Also, the existing form of privatizing through direct sales is a problem, although from the standpoint of the principle of preservation it is correct. Our citizens do not have the necessary resources, and interest rates on possible loans (of which we only have a very limited number) are virtually unrepayable. That is why our banks are not even willing to lend money for the purchase of an entire enterprise.

Top Management

The creation of viable economic entities under the given conditions in our country appears, at first glance, to be unrealizable because privatization through holders of investment coupons, investment funds, or the National Property Fund does not result in creating a living system, and loans sufficient to purchase an entire enterprise are unrepayable.

However, there is a "key" to a solution. It is necessary for an enterprise to create a top management entity made up of owners in the form of a packet of securities owned by owners. In this case, it is not at all important who owns a majority of the shares, whether it is the National Property Fund or the holders of investment coupons or the investment funds (as protectors of the owners of coupons against owners holding the packet of securities). The owners of a packet of securities should be granted loans with long-term repayment times and at an appropriate rate of interest. The size of the packet of securities can be even a fraction of the total volume of securities; this would radically reduce the need for credits for privatization purposes. However, the duty to pay off these securities within the stipulated time limit is decisive and must be realistic and must include the opportunity for the owners of the packet of securities to change in the event they are not capable of paying off the loan. Importance must be attached to the fact that management of the enterprise is entrusted to entities who are dependent for their existence on the economic results. Such a form of ownership will become an effective weapon against corruption.

The proposed procedure resolves the essence of today's problems in the transformation of the economy:

- it makes possible even the privatization of large enterprises with relatively low demand for credits;
- privatization can be accomplished in a very short time frame;
- it makes possible the separation of the awkward mechanism of coupon privatization from the creation of a viable economic entity;
- the sale of additional shares can be realized gradually, but is best accomplished after the enterprise begins to be prosperous under the direction of a capable individual.

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FIAT vs. ANKER BROT

For purposes of illustration, let us look at two contradictory examples. FIAT is managed by an owner of a packet of securities and, although the state owns up to 70 percent of the shares that exist, the most suitable entity to manage this firm is a person whose existence is connected with the firm (the owner of a packet of securities) and not a person who would represent the predominant shares of the state. As a contrary example, it is possible to mention the Austrian enterprise of ANKER BROT in which ownership was equally distributed among individual employees and yet the enterprise failed. Ownership which is scattered among a large number of small shareholders did not result in the establishment of a livelihood connection between the owners and the enterprise. The enterprise saved itself from bankruptcy only by transferring ownership for 1 Austrian schilling to one owner and became highly prosperous. Where the literature speaks of examples of employee shares, then the enterprise is always directed by owners of a packet of securities and ownership of securities by employees only plays a supportive motivational role.

The largest reserves which are at the disposal of our economy at the present time is rapid privatization leading to the creation of functional economic entities capable of survival. Only enterprises that work well are a source of wealth for the citizens and for the state. Essentially, all of our current economic and political problems are partially due to the erroneous concept involved in the transformation of our economy. It is necessary to resolve the causes of our difficulties and not their consequences, such as unemployment, the shortage of finances for education, health care, etc. Currently, nothing is more pressing in our economy than the prevention of tremendous damage resulting from the erroneous concept of privatization.

Government Names New Financial Representatives

95CH0100A Prague HOSPODARSKE NOVINY in Czech 28 Dec 94 p 4

[Article by Oldrich Zabojnik: "Government Names New Representatives to Financial Institutions"]

[FBIS Translated Text] Bratislava—The Slovak Government yesterday recalled representatives appointed to international financial institutions by the previous cabinet—B. Schmognerova, R. Filkus and J. Trojak, and appointed its own representatives. Staying on as governor in the International Monetary Fund is the president of the Slovak National Bank Vladimir Masar, whose alternate will be Deputy Prime Minister and Minister of Finance Sergej Kozlik. He, in turn, became a governor in the World Bank and European Bank for Reconstruction and Development group, where his alternate will be V. Masar. A new member of the banking councils of the International Bank for Economic Cooperation and the International Investment Bank headquartered in Moscow is the state secretary in the Ministry of Finance Rudolf Autner. Other members of the two banks are V. Masar, the director of the International Relations Department of the Slovak National Bank Stefan Pavuk, and the director of the International Finance Relations Department of the Ministry of Finance Juraj Sipko. The government also named Marian Mojzis state secretary of the Ministry of Economy.

Another item on the program of yesterday's session of the cabinet was migration. The government instructed the Ministry of Foreign Affairs to work out a proposal for migration policy concerning Slovaks from abroad and a proposal for socially desirable immigration. In talking to reporters, Minister of Foreign Affairs Juraj Schenk avoided giving details about the results of the current migration policy and its possible changes in the future, stating that these are questions which are yet to be resolved.

Possibility of Large Slovak Deficit Revealed

95CH0095A Prague DENNI TELEGRAF in Czech 23 Dec 94 p 9

[Commentary by Peter Schutz: "The Frugal Slovak Interim Budget"]

[FBIS Translated Text] *Yesterday, the agenda for the third session of the National Council of the Slovak Republic included the proposal for the first quarter 1995 interim budget, which was presented by Sergej Kozlik, deputy chairman of the new Meciar cabinet and minister of finance.*

This interim budget is interesting even at first glance because we shall not find any data on anticipated budget revenues for the first quarter among its fundamental macroeconomic starting indicators and, thus, logically no mention of the planned deficit for this period. According to Kozlik, the data will not be available until the "large" state budget is proposed, which he intends to present to parliament by mid-February at the latest. On the other hand, cumulative expenditures from the state budget for the first quarter should amount to 37.9 billion Slovak korunas [Sk].

Estimated revenues are mentioned only indirectly in the Kozlik proposal: They are expected to rise by 4 percentage points over the same period of last year. Furthermore, the provisional budget is counting on an interyear growth of inflation by 10 percent, with the rate of unemployment being 15 percent and the gross domestic product rising by 3 percent. However, these numbers are not in the smallest amount of conflict with the starting parameters of the proposed state budget, prepared by the previous government, which, however, has been several

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times referred to by V. Meciar himself as being poorly conceived and, therefore, unusable as a starting point for negotiations involving a possible compromise. According to the prime minister, it was precisely on the basis of this justification that a transition to a provisional budget was inevitable.

The only, but completely fundamental, dispute between budgetary concepts put forward by the former and by the current team is the question of covering the state debt service. In 1995, this is expected to amount to a total of Sk35 billion. The Moravcik government had wanted to ease the tense budget by shifting more than one-half of this obligation to the shoulders of the FNM [National Property Fund]. However, this "transaction" was strictly rejected by economists surrounding Meciar. Because it is necessary to pay debts, only one consequence was possible: an across-the-board restriction on the expenditure side of the interim budget. In other words, if the deficit was not to "skyrocket" to astronomical amounts—something which (at least for the present) the new government does not wish to permit. And so the provisional budget is not only "expressly more restrictive than the budget proposal which was being prepared by our government" (B. Schmoegnerova), but is most likely the most restrictive budgetary concept to surface in Slovakia following November 1989. And, in view of the political composition of the post-October parliament and government, this constitutes an unbelievable paradox.

Of course, Sergej Kozlik does not speak of "restrictions," which is perceived to be virtually a dirty word in the economic circles from which he originates and by the major portion of the Slovak public, but he talks of "economy measures." At the same time, however, he stresses the "dynamization of the revenue components" which should "pump" more resources into the budget. However, if he intends to achieve this through economic revitalization, then covering the Sk18 billion proposed as the "contribution" by the FNM would mean figuring precisely on an 18-percent growth in the gross domestic product; according to calculations done by economists, 1 percent of gross domestic product growth in Slovakia would be nominally equal to approximately Sk1 billion. But this is nonsense. But even another possible way toward "dynamization" looks impractical: Raising budget revenues through taxation already began under the Moravcik government—for example, revenues rose by 14 percent as a result of the value-added tax, by 8 percent as a result of consumer taxes, and by 30 percent as a result of capital gains taxes. This is exceedingly high growth which it will hardly be able to still further "dynamize." The volume of population income cannot grow in such leaps. Not to mention the fact that it would create price pressures, with the latter inevitably being reflected in higher inflation rates.

It is simply not possible to visualize a method—of course, apart from the uncovered emission of bank notes by the National Bank, or, in other words, the "printing of money"—by which Sergej Kozlik could patch up the holes in the budget, created as a result of rejecting the resources created by privatization. This must be noted with all due respect to the intention to come to grips with indebtedness wherever it originated—in other words, directly within the budget. It will be interesting to see how the Meciar government will come to terms in the course of next year with the political and social pressures resulting from the introduction of "economic measures." If it proves unable to do so, the alternative is a budget deficit somewhere at a level of around Sk40 billion.

Professor Mihalik Views International Trade

95CH0103D Bratislava HOSPODARSKE NOVINY in Slovak 5 Jan 95 p 6

[Article by Prof. Jozef Mihalik, National Economics Faculty of the Economics University, Bratislava: "International Trade and the Economy of the Slovak Republic—Part I"]

[FBIS Translated Text] *At the present time, the international community is assigning a new role to international trade in the area of collaboration and economic development. The agreement on tariffs and customs duties, assigned in Marrakesh, is not only an agreement on trade, but opens a new era of international economic collaboration in the interest of greater economic development for every country.*

Following years of modest economic growth in the majority of the world's countries and its three- to four-year deep decline in the countries which are transforming their economies, as well as given the minimum growth of production (on average, 3 percent per year in the 1980's), in the developing countries the 1990's should see a turn for the better. In great part, international trade should participate in this endeavor. In this connection, great significance is being attributed to the Uruguay rounds, which are considered to be the principal stimulus in international collaboration involved in the revitalization of the world economy. Speedy ratification of the Marrakesh Treaty should mean considerable growth in world trade and economic benefits on a worldwide scale.

World Trade Organization Has Replaced GATT

The focal points of that agreement are principally the following:

- Creation of a World Trade Organization (WTO) as of 1 January 1995 with the authority to enforce the new trade agreement and prosecute those countries which violate the agreement (it has replaced the 47-year-old GATT).
- Any country may withdraw from the WTO upon six months' notice.
- All countries agree to reduce their tariffs by one-third. For the first time since the development of GATT in 1948, agricultural tariffs are incorporated in the agreement. Countries which have higher tariffs will

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have to lower them more than those countries with lower tariffs. It is estimated that the lowering of tariffs will be represented by a sum of approximately $744 billion.

- Quotas will be eliminated. The treaty does not permit the imposition of limits on quantities of imports. For example, Japan will have to put an end to prohibiting the import of rice; the United States will have to stop imposing quotas on the import of peanuts, dairy products, sugar, and textiles. Quotas will replace tariffs which will be gradually lowered over a period of several years. The treaty also prohibits the practice of demanding preferential treatment on the basis of the content of national labor for products such as automobiles.

For the first time, a worldwide trade agreement protects intellectual property. It requires the signatories to protect patents, copyrights, trade secrets, and trademarks. This means putting an end to pirate-copying of films, compact disks, software for computers, and drug prescriptions. Agreement was not reached on limiting subsidies for producers of civilian aircraft, agreement on limiting the distribution of medications, films and other cultural products to Europe, and on opening of markets for the majority of financial services. Transportation, steel, and telecommunications are, for the most part, exempt in the treaty.

The Need for a "Safety Net"

The realization of the conclusions of the Uruguay rounds and of the Treaty on Tariffs and Customs Duties gives rise to maximum expectations. It is judged that, due to the attractiveness of an open economy, those who have already embarked on the liberalization of trade will gain the most. It is estimated that once the agreements become effective, the United States could profit by as much as $200 billion each year. On the other hand, higher prices for food and the undermining of preferential status will likely lead to temporary losses in some developing countries, as well as in some countries which are transforming their economies. It is recognized that these countries will need to be compensated for their losses.

The fact that the treaties still contain a certain mechanism and discriminatory measures which, in and of themselves, can call into doubt the liberalizing effect of trade conducted within these treaties must be taken into account. The lowering of tariffs on key export products from developing countries is substantially below the general standard. The question of undermining preferential tariff margins, which can show up in increased prices of imported agricultural products, remains to be solved. In this connection, UNCTAD (UN Conference on Trade and Development) is suggesting that a broader "safety net" be created for these countries. It will be necessary for the international community to work out principles for officially nonbinding instruments—so-called soft laws. They would contain instructions and principles which would act as a "safety valve" to reduce the risks of tension which could arise around the problem area having to do with trade.

The overwhelming majority of countries is approaching the conclusions contained in the Uruguay rounds positively and considers them as constituting a contribution for every country. It is true that there are also voices being heard which have reservations.

In the debate in the second committee of the UN Organization (economics and finance), all speeches (and there were 72 from UN member countries) agreed that it is necessary to eliminate protectionism and barriers to trade. Although the conclusions of the Uruguay rounds were generally welcomed, several developing countries expressed fears that the advantages stemming from the agreement will mostly go to the economically developed nations. Some developing countries (for example, Malaysia) pointed out that connecting labor standards and conditions with trade is not justified and that this could become a new form of a protective trade system. They demanded that labor problems remain under the jurisdiction of the International Labor Organization (ILO) because that organization is responsible for these aspects and has jurisdiction over them. They proposed that compensation measures be adopted for those countries upon which the implementation of the Marrakesh Treaty would have a negative influence. The developing countries—for the most part, African countries—were striving for a solution to the critical situation involving raw materials prices.

Efficiency in Trade

Countries with economies which are transforming themselves are expecting freer access for their products to world markets by improving multilateral and bilateral trade conditions, through liberalization of trade regimes, through a reduction and elimination of discriminatory tariffs and nontariff measures asserted against countries whose economies are transforming themselves. The same is true of countries within the framework of intraregions. The majority of states welcomed the thesis which stated that the gradual liberalization of trade will represent a solid contribution to democratizing international economic relations. Under these relationships, those who are more competitive should gain more and those who are staying behind should gain less. Among others, this should stimulate economic growth, create new job opportunities, and lower unemployment.

The UN resolution International Trade and Development, adopted at the 49th General Assembly of the United Nations, in paragraph 13, facilitates and demands the activation of international trade in countries which are transforming their economies. It stresses the need for complete integration of the economies which are transforming themselves, as well as of other countries, into the world economy, mostly by improving access to markets for their export products. This must occur in line with multilateral trade regulations, with the

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lowering and elimination of discriminatory tariffs and nontariff measures, and through further liberalization of their trade regimes, together with the developing countries. The resolution further emphasizes, in this connection, the usefulness of studies and technical assistance provided by the UN system with respect to trade problems being experienced by those countries which are transforming their economies in their integration into the multilateral trade system.

Another resolution, UN International Symposium on the Efficiency of Trade, adopted at the 49th General Assembly of the United Nations, calls for the urgent growth of cooperation between developed nations, developing nations, and those countries which are transforming their economies and urges that an open exchange of views regarding problems with economic development with all of the players involved in trade take place, whether it be within the framework of the state sector or the private sector.

Working Out an Export Strategy

It is necessary for the Slovak Republic to begin implementing the conclusions of these resolutions within the framework of cooperating within the central European region. Here, it should strive to accelerate integration processes, primarily by lowering the customs duty burden in neighboring countries, which would facilitate an expansion of mutual exports and would create the prerequisites also for attracting foreign investors, who are prepared today to come to areas which offer a sufficiently large market. Furthermore, it is necessary to reconsider the new personnel policy governing employees in foreign trade so that regional trade departments would be created and would be specialized in a certain type of commodity and would know how to provide foreign interestees with exhaustive commercial information within the framework of the entire interest territory.

Today, an investor judges the advantage inherent in investing less from a geographical standpoint and more according to the size of the market and its absorption ability. Then, given equal (or almost equal) tariff and customs duty conditions, accompanying liberalization of trade will be taken advantage of primarily by those countries which are better prepared with respect to quality legislation, which know how to do good marketing, countries which have worked out a system of banking and insurance agendas in foreign trade, countries which are capable of providing forwarding-agency services and will know how to present the pro-export policy of their country to outsiders.

An important prerequisite is to have worked out a pro-export strategy which is suitable for such a small country as the Slovak Republic. For example, among others, this is a matter of how to orient the development of cooperation, whether to concentrate on small or medium-size enterprises or on large enterprises and concerns, access to markets, methods of payment, customer services, etc.

The full utilization of the advantages stemming from the conclusions of the Uruguay rounds is realistic provided the efficiency of the world economy is increased substantially. Implementation of the conclusions, as well as the creation of conditions for their realization in every country should assist in this regard, both on the macroeconomic level and also on the microeconomic level.

"Domestic Tasks" for Governments

The UN International Symposium on the Efficiency of Trade recommended that governments, commercial centers, and other participants in international trade undertake the following steps in the following areas so as to fulfill the new tasks assigned to international trade given the revitalization of the world economy by increasing the efficiency of trade:

- In banking and insurance, governments should consider, among other aspects, a method for resolving structural aspects of the market for trading while securing financial service as early as the formulation of a policy in the area of financial regulation.
- It is inevitable for governments, through customs institutions, to clearly define their goals in the area of customs duties and work out a comprehensive long-term plan that would stipulate the method by which they wish to achieve their intentions, primarily by reexamining their customs practices and introducing a program of procedure reforms.
- Governments should support the free circulation of information regarding business activities and provide equal access to information to enterprises and firms without regard to their size or the location of the business. Governments should support the process of internationalizing enterprises and firms.
- Governments should reevaluate their current legislation and regulations in the area of transportation.
- Governments should develop international telecommunications systems which represent a critical factor in achieving efficiency in trade.
- In connection with banking and insurance services, governments should see to it that commercial centers (trade points) support exporting clients with comprehensive financial and consulting services.
- Trade points should be equipped with basic telecommunications equipment to provide service to clients. In view of the fact that the mechanism for increasing the efficiency of trade is very costly for small countries, there is a need to turn to international organizations for assistance and support. In this direction, UNCTAD could play an important role.
- Businessmen should work out a suitable commercial strategy which would also cover such aspects as market research, ways of getting products to the market, ways of securing payments for products, ways of providing services to customers, etc.
- The development of international cooperation in safeguarding the infrastructure is very important in terms of increasing the efficiency of trade.

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It can be anticipated that implementation of the new strategy of development to make international trade more efficient will result in revitalization of the world economy, which will, in turn, result in an increase in hitherto inadequate consumer demand. The 1994 UN report on trade and development warns that the world economy is recovering from crisis at a slower pace than is normal in cases of cyclical recovery and is, in fact, below the long-term stable growth level.

UNCTAD stresses that in view of the difficult situation in many developing nations and in countries which are transforming their economies, it is urgent for the international community to rethink its policy of expansion. It casts doubt directly on the notion that the drastic cutback in the role of government in the economy, given the simultaneous unfettered support for free enterprise, represents a sure recipe for rapid and stable growth and points to the extremely efficient intervention by the governments of Japan, the Republic of Korea, and Taiwan. "The economic miracle" in those economies "was not solely due to the miracle of the market," says the report (p 199).

Relatively favorable indicators of recovery exist mainly in the United States. Some economies among European developed nations also are showing better results. Most encouraging is the economic growth in Japan. If consideration is given to the continuing economic growth in several developing countries and in some of the countries which are transforming their economies, we reach the conclusion that world production grew by around 2.5 percent in 1994.

This development is essentially modest. It is incapable of lowering unemployment in economically developed nations, which remains at intolerably high levels; although in the last two years some economic growth has taken place in some of the countries which are transforming their economies after three years of rapid economic decline, yet the overwhelming majority of countries are recording continued decline, and in the developing nations economic growth is far beneath the anticipated level.

1994 Political, Economic Accomplishments Reviewed

95CH0128B Kosice DOMINO EFEKT in Slovak 6-12 Jan 95 p 2

[Article by Peter Schutz: "Slovakia 1944—Countermovement of Politics and Economics"]

[FBIS Translated Text] A retrospect of the second year of Slovak independence must be undertaken on two levels. Not only because the economy (the first level) and politics (the second level) are always the dominant features of "state of the union" reports, but mainly because they very seldom show such countermovement as they do in our particular case of "Slovakia 1994." The paradox of reverse value indicators, which have to be reconciled before evaluating the results of the past economic and political year under the Tatras, is the reason for the futility of all attempts to make ay one-word or otherwise abbreviated judgments of that year.

We are, in fact, facing a double paradox. On 1 January 1993 everything looked different. In the time-span—let's say of precisely two years—it was possible to expect already a moderate consolidation and a finished profile of the political scene. And that in spite of the equally expected initial split of the "national-socialist troika" (HZDS, SDL, SNS) [Movement for Democratic Slovakia, Party of Democratic Left, Slovak National Party] immediately after the disappearance of the federal adversary, and in spite of the predicted dramatics within HZDS. And, on the contrary, in the economic sphere—if we ignore such dreamers as Oberhauser, Koctuch, or Husek—a precipitous fall down to goodness knows where was generally predicted. But precisely in the year 1994 developments stood these predictions completely on their heads: on 1 January 1995 the bastardization of the political scene reached an almost unsurmountable climax, and, on the contrary, the basic macroeconomic data pointed to a stabilization, even to the beginning of a growth phase.

This article cannot aspire to make an analysis of this paradox. But it must be mentioned as a warning to all prognosticators; other prophecies, even if only for the immediate future, are and will be a risky undertaking. It is a good thing that politicians and commentators are not financially responsible for their opinions.

I was probably not the only one who thought that of the inexhaustible supply of Meciar's bon mots, the very best of which was the one about the "Slovak economic miracle." True, one does not have to immediately put on sackcloth and ashes: at the end of last year, when he delivered himself of it, it was indeed a total idiocy. But what happened after that?

The 1994 budget was based on zero GDP growth. Not only the entire opposition (identical with today's except for DU [Democratic Union], which at that time was still in the bosom of HZDS—this explanation is provided just to make sure, because with the frequent back and forth changes of government teams one begins to lose track of when and which one of them is the coalition and which the opposition), therefore, not only the entire opposition but also an overwhelming majority of experts even from abroad considered this rate an overvalued mirage. They committed a huge blunder.

During the first three quarters of 1994, the Slovak economy recorded a 4.3-percent growth of GDP. At the same time, unemployment did not rise to 17 percent, as was planned in the budget, but fluctuated around the 14-percent level. The foreign currency reserves of the Slovak National Bank as well as of the entire banking industry increased about two-and-half-times, and the inflation genie stayed firmly corked up in the bottle. The balance of payments in foreign trade improved, which

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became most strikingly manifested by the turn-around of the balance in the clearing account with the Czech Republic—by the end of December, the Czech Republic exceeded the credit limit six times in a row. And precisely a year ago—twice in succession in December and in January—the Slovak National Bank paid the Czech Republic for this same reason almost a fourth of its then foreign currency in cash.

Naturally, not all the numbers are quite this favorable. The planned budget deficit of 14 billion Slovak korunas, which is the ceiling recommended by IMF, will be greatly exceeded. The per capita GDP—one of the basic parameters for making comparative studies—in Slovakia lags far behind not only the West European countries, but also the other members of the Visegrad Four. We have to take into consideration that we achieved the turn-around in the clearing account by non-market, administrative measures (import surtax, certificates), whose effectiveness, moreover, will in time weaken as the partner adapts, while the import surtax is for a limited time only.

But even considering these less favorable data, the fact remains: the macroeconomic balance of Slovakia for 1994 simply exceeded all expectations. Of course, one could debate at length the influence of individual—external as well as internal—factors. What is certain is that the momentum of the federal reform has not yet dissipated and that it still has an influence, that in spite of the rhetoric of the victors in the 1992 elections its basic pillars have not been broken. Slovakia inherited from the former federation clearly the best transformation legislation in the post-communist Europe. The momentary economic boom which affected practically all the advance countries of Europe and which made their markets more accessible to Slovak products, also contributed its share. Despite all this, the year 1994 proved that the viability of a "distinctive" Slovak economy is greater than the overwhelming majority of liberal economists at home as well as abroad anticipated. True, this in no way means that Augustin & Co. had nothing but three parts per mill of truth. The 15 billion surplus of the Czech budget (with much more generous expenditures by the "restrictive" Klaus people, for example for the entire sphere of public consumption) is to the estimated 20 billion deficit in the Slovak budget a sufficient though not the only counterpoint.

As was already indicated above, it would not be wise to make the macroeconomic results of 1994 a basis for optimistic predictions; the consequences of the confused and concept-bereft economic policy following the division of the federation have a certain "incubation period" and they are yet to manifest themselves. Above all in the microsphere, which suffered a severe blow by the crippling of privatization. Since at issue is a dynamic process in the development and not a one-time legislative change, privatization is the only large bloc in the system which was severely damaged after June 1992. And the factor which relativizes the achieved results almost absolutely is politics.

It is only because the language has no stronger words available to express what is happening for example in Bosnia or Chechnia, that one cannot say right away that the past year in Slovak politics was catastrophic. But if we forget for a moment the regions remote from the civilized world to which we want to belong, then one can be quite comfortable saying that.

There is not enough space for recriminations concerning all that has happened, and it is even useless. Since the president's speech on New Year's Day, the March coup and the early elections, the country came under the guardianship of the worst team which could have been formed from the already so tragic post-October parliamentary nominations. The result of the year 1994 is the simple fact that the administration of the country is in the hands of the most untrustworthy power in Europe, given its image of a Frankenstein cobbled together from 17 communists supplemented by one nonstandard movement and two parties of absolute extreme, as well as abilities. The question of blame and responsibility for the fact that from the elections emerged a government of even more horrible physiognomy that their results indicated, is today already of lesser importance.

Five years after November 1989, Slovakia is still failing to create a standard political scene. That scene is split into two blocs which today apparently can no longer be united. The situation with respect to the distribution of political powers is not only worse than it was before 11 March 1994, but even than what it was after 12 June 1992. HZDS was not given the chance to bring the process of self-destruction, promisingly under way, to its conclusion. On the contrary, it renewed its political strength at the level of two and a half years ago, and now it can for a while—how long that while last is difficult to estimate—again successfully reorient itself from destruction within to destruction without.

But the discovery and personality of the year 1994 is unquestionably Jan Luptak—we can be rightly proud of our small Slovakia which can support besides itself (and not despite itself, because that would be still imaginable) two certified demagogues. And because *de mortuis nisi nil bonum*—about the "standard ones" only one thing: the entire year was marked by a series of their monstrous and by and large nonstandard political mistakes. From this viewpoint, from which, however, it is not possible to not look back as well, they too must be held accountable for everything, absolutely everything that is happening here today and what will be happening.

Because it is impossible to add apples and oranges, it is also impossible to evaluate the year 1994—no one can say what would be left of the economic plus after the political minus is deducted. About the next year one can only say that a continuation of the old year's tendencies is much more likely in the political rather than the economic sphere. And that is mainly because the politics of the year 1994 turned out the way it did.

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Country's, International Economies Compared

95CH0132F Bratislava HOSPODARSKE NOVINY in Slovak 2 Jan 95 p 4

[Article by Anton Bonko: "International Effects of the Recovery of the Slovak Economy"]

[FBIS Translated Text] *When 1 January 1993 saw the development of the Slovak Republic as an independent entity and sovereign state under international law, it inherited an economy which has several peculiarities. The potential of the economy, its structure, its capital, technological, cooperative, and consumer-supplier relationships are the result not of years, but of decades of development. From this standpoint, the economy of Slovakia never throughout history, with the exception of the short period during World War II, developed as an economy of a sovereign state. Its development was thus never based on the needs of the Slovak state and people and its structure and efficiency never formed along these lines. It is only today that we have this opportunity.*

The period following 1950 had the most to do with shaping the economy of Slovakia. The requirements for industrialization in the industrially less developed countries of the Eastern bloc and the countries united in CEMA, as well as the requirements of the war-ravaged economy of the former USSR, created opportunities even for the growth of the economy of the former Czechoslovak Republic. This also included opportunities for the industrialization of Slovakia. But it had its negative side which began to show up only gradually. A portion of these problems has transferred to the present, a factor which, together with other problems, complicates the current process of transforming the economy.

Until the beginning of the 1970's, the markets in the countries of the Eastern bloc were less demanding in terms of quality, were not placing demands on innovative, technical-technological, and economic thinking corresponding to the worldwide trend. This had its consequences in the form of a lower degree of intellectualization of production which was reflected in productivity of work, production costs, and also in the social sphere, where this factor was supplanted by state paternalism in conjunction with the leveling of incomes. And this was one of the reasons why quality was only barely and slowly moving in the direction of growing quality from the standpoint of structural arrangement, technical quality, technological quality, but also reflected in economic efficiency connected with the ability of our products to compete in world markets.

In contrast to integration in the West, which was based on the free movement of capital and goods (and more recently even of labor), integration with CEMA was based on contractual specialization, coproduction, and a generally agreed-upon solution of scientific-technical problems. From today's viewpoint, we can evaluate this as a less flexible and less dynamic type of integration. Even so, it created a tremendous economic space, a market (even though it was deformed), and broad production and raw materials relationships. As we contemplate the political dimension of the problem, the question seems appropriate as to whether the rapid and total breakup of this market and of the cooperative relationships was suitable. It had a more or less negative impact upon all countries of the Eastern bloc. It tended to wreck their mutual cooperation and trade which, under the conditions in which their economies find themselves today, is being renewed only with difficulty. Even where we were able to effectively collaborate, there has developed a rivalry which is often confused with competition. It is not by chance that the European Union today is suggesting that we should again at least partially integrate (CEFTA) and considers this to be the preliminary step for future membership in this organization.

The integration development within the framework of CEMA, as has been mentioned, had a positive influence upon industrialization in Slovakia. At the same time, however, for purposes of external impulses, but primarily for purposes of internal solutions and decisions within the framework of the formerly unitary Czech-Slovak Republic; but it also had a number of pitfalls.

The economy of the Slovak Republic was marked by these developments in a number of directions. For example:

- the economy was oriented toward the needs of all of CEMA to a considerable extent;
- the size of this market and its absorption capability created room for and resulted even in the need to build large capacities. Today, a change in their structure is very complicated as is a change in their transformation, and their underutilization causes problems on an all-Slovak and regional scale in the social sphere;
- the Slovak economy served as a service economy for the economy of the Czech Republic which enjoyed a higher degree of product finishing and had a greater orientation toward developed markets. Final production in the Slovak Republic served more as a countervalue for raw materials, primarily those originating in the former USSR.

It can thus be noted that Slovakia has an economy today in which the industrial potential is not only higher than the internal requirements of the state, but is also higher than the historic requirements of the Czech Republic as well as the requirements of standard exports. In this respect, the customs union with the Czech Republic does act positively, but from a long-term standpoint it can undermine or slow down the efficiency of structural changes. It should be borne in mind that the Czech Republic is already a foreign partner for us. However, this relationship has its risks, even in the short term. The development of the balance of foreign trade involving the Czech Republic is favorable for us this year. But if the pressure exerted by GATT on customs duties results

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in the inability to preserve the import surtax—which is more than likely—the situation can change to our detriment. Similarly, the anticipated elimination of the payments agreement and the transition from a clearing system of accounting to payment in free currencies would represent a loss of approximately 8 percent of the devaluation effect (the Slovak koruna against the Czech koruna). In its final consequences, this could also threaten the internal convertibility of the Slovak koruna.

Also, something else should be borne in mind. The Czech Republic will be trying to limit imports from the Slovak Republic wherever it has the prerequisites to assure its production from its own capacities. In essence, this is aimed at increasing the exploitability of its own capacities and the domestic sales aspects. For example, the number of subsuppliers from the Slovak Republic for the new Skoda Felicia declined from 26 to 19. In the Czech Republic, production of deep-drawn sheet metal, pipes, and similar products is starting.

Impact on Exports

The problem is exacerbated not only by the absolute magnitude of the industrial potential, but also by its structure. From the standpoint of structure, the capacities of the Slovak economy are aimed at producing a much greater volume of raw materials and semifinished products than it has the capacity to finally utilize and the capacity also exceeds the requirements of customary exports. And exports to the Czech Republic are showing a decline. The magnitude of the potential, of the individual capacities and their structures, predetermines the need to become oriented toward exports as one of the fundamental conditions for revitalizing the economy. This is multiplied also by the fact that the transformation of the economy is accompanied by a drastic restriction of the internal aggregate demand (including investments). For the lack of capital, because of restriction, and because of developments in the income sphere for the population, this demand will only improve slowly and it may be even 10 years before it reaches the level of 1989. That is why the need for exports will increase. For example, of the CEFTA countries, we already have the greatest share of industrial goods sold abroad (in current prices) today. Since the beginning of the Slovak Republic and through June 1994, this volume has hovered around 40 percent (including the Czech Republic), whereas in other countries it is at a level of about 25 percent. An even small decline in the share of industrial production intended for export could have a negative effect upon the balance of foreign trade which ended last year with a deficit of approximately 10 billion Slovak korunas [Sk]. For June 1994, this balance is showing a surplus of Sk1.4 billion. This would mean either restricting imports (which is also happening), including investment imports and possibly even operational imports, or it would mean, in the interest of maintaining a liberal foreign trade, that a debt would have to be incurred at the expense of the balance of payments of the state. Given the frequently inappropriately liberalized imports, the convertibility of the koruna is largely preserved by the same method which operates to increase our foreign debt service and, thus, also increases the need for foreign exchange (a restrictive policy, at the same time, also increases the internal indebtedness of the state).

But our economy is also approximately 82 percent dependent upon imported raw materials as input materials, and in the energy field this dependence is over 90 percent. On a cumulative basis, this means that the economy of the Slovak Republic is open to such an extent in terms of inputs and outputs that, in view of its size or, rather more precisely, its "smallness," it becomes highly vulnerable to an external environment. The internal size of the market, its "purchasing ability," and the internal aggregated consumption do not make a temporary substitution of foreign trade possible if that trade shows deviations. We are, therefore, simultaneously facing numerous contradictions which, from the standpoint of timing, structure, capital, but also in the social sphere, cannot be solved rapidly and, primarily, without pain. Moreover, in many directions we are relying on foreign sources of assistance more than we are seeking internal resources and reserves. We lack a long-term strategy as to where this society is actually heading; we are not clear about the future structuring of the economy. For a longer period of time now, we have been making the need for future structural changes uncertain by weakening our own scientific-technical base as the carrier of stimuli and outputs for shaping an effective economic structure in the future. We rely too much on the fact that stimuli for the formation of an effective structure will reach us from the outside and, moreover, that they will be paid for by foreign capital. This is possible only to a certain extent and, in such a case, the question of markets again rises to the forefront.

It is without a doubt that foreign economic and commercial ties result in strong positive as well as negative impulses for any economy. In small economies such as ours, economies which are very much open, these impulses manifest themselves even stronger. The situation in which we find ourselves only multiplies this effect. Our foreign economic ties (including political ones) are today unequivocally oriented toward the West, primarily toward the EU, and foreign trade, after the disintegration of the CEMA markets, has suffered a great reduction in its volume, but has reoriented its exports to markets in the countries of the EU and in EFTA. After the development of the independent state, internal economic ties with the Czech Republic were transformed into foreign trade operations.

If the negative influences from the outside are not to be transmitted strongly to the internal economy, it is necessary, among others, to solve this problem in two directions: to diversify the territorial focus of trade and to trade on the basis of long-term contracts.

The structure of production, its quality, prices, and marketing can attenuate these influences only in part.

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From the territorial standpoint, 90.6 percent of our imports and 91.5 percent of our exports are realized in Europe. To expect diversification to a sizable extent to broader world markets is not overly realistic, given such a small economy. In many instance, we could not assure effective after-market and services provisions. Therefore, we should be guided by the effort to diversify foreign trade, at least in Europe, and, at the same time, strive to achieve a balance between imports and exports according to territories, groupings of countries, or even by individual countries, tied into their share in our exports or imports.

The actual situation during nine months of 1994 is as follows (it does not differ from the results achieved in 1993):

	In Percent		
Group of Countries (Country)	Share in Overall Imports	Share in Overall Exports	Balance (in Billions of Sk)
EU	26.75	30.57	6.3
Including: Germany	14.48	17.72	6.36
Italy	4.34	5.20	0.53
EFTA	9.94	6.83	- 2.6
Including: Austria	6.74	5.13	- 0.66
CEFTA	33.85	45.62	18.1
Including: Czech Republic	29.20	37.53	12.25
Rest of European countries	20.05	8.42	- 20.5
Including: Russia	17.08	3.91	- 22.8

Source: STATISTICAL BULLETIN, No. 2, 1994

The above table indicates that the territorial orientation of our exports and imports is not balanced. Our exports are again oriented too much unilaterally toward the EU and toward EFTA (much like with the case for CEMA before), and even in these groupings only two countries occupy a dominant position—Germany and Austria. Exports to the Czech Republic, as we have already stated, are the consequence of economic ties of the past. It will be difficult to expand these exports, they will more likely decline. Moreover, within the framework of the clearing-account structure, exports do not create foreign exchange up to a certain volume. We are thus creating an actual paradox, because in the end the success or failure of our foreign trade, but primarily the revitalization of the economy, will be decided by trade ties with Russia. For nine months of this year, we have shown a negative balance to the extent of Sk22.8 billion with regard to this country, and for all of 1993 the size of this negative balance was Sk30 billion. And our exports to that territory have been declining in both years. It is unrealistic to think of compensating for this negative balance through enormous increases in exports to the EU or to the EFTA countries. Meanwhile, with the exception of Germany, all other countries in both groupings are jealously guarding their balanced balance of trade. It is thus possibly also unrealistic to expect that we shall acquire an adequate amount of free foreign exchange here with which we could pay for imports from Russia. In view of the commodity structure of our exports to the countries of the EU and EFTA and the well-known limitation in the form of quotas and limits, this is also not possible even in the foreseeable future. These restrictions will not be fundamentally reduced until 1996 and there is no expectation that they will disappear completely because some of them (for example, dumping) are made possible even by the new GATT agreement. In this direction, even the association agreements with the EU (Euroagreements) need not change this situation because they permit references to the lack of preparedness and incompatibility of legislation, standardization documents, etc. But the problem is still more complicated. Even if we were to limit those imports which are frequently lacking in purpose (bizarre-type decorations and the consumption of resources for edibles), we need—and primarily so—additional foreign exchange resources to pay for imported equipment, technologies, and know-how needed for the modernization and restructuring of our production base. If this does not happen, we will be, to a considerable extent, dependent upon loans, foreign capital, and investors. Above a certain limit, this may already impact on the economic sovereignty of the state.

The negative balance of trade involving Russia is moreover concentrated essentially in three areas: gas, petroleum, and iron ore.

Of these commodities, at least the first two will be very hard to replace with exports from other territories—it would require far too many resources and time. The question of the need for foreign exchange to pay for imports from other territories would remain open even then. At the same time, their prices would be higher than those at present.

To a certain extent, however, such a change will be necessary, at the very least through the gradual activation of the Adria pipeline, which depends on the development of the situation in Yugoslavia. This would lower our one-sided dependency and would, in part, make possible the expansion of our exports even to countries of the Near East (Saudi Arabia, Kuwait, and other countries).

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Despite the relative possibility of spreading out the imports of energy carriers, if exports are to be one of the instruments for revitalizing the economy of the Slovak Republic in real time and responsible for its modernization, then the key is to seek ways and methods for expanding foreign trade with Russia. In this regard, our one-sided policy and economic orientation toward the EU cannot help us in the foreseeable future, although it is true that the modernization of our economy must be connected today primarily with the developed countries of West Europe, but also with the United States and Japan. Moreover, no one knows at present what will happen with the EU after 1996 when the whole idea is to be fundamentally reevaluated (a two-speed EU, a firm core, the development of other integrational groupings).

The entire problem also has a strategic and geoeconomic side (the creation and integration of large economic areas). This could contribute to creation of collaboration among EU members and Russia or could even split the EU or establish blocs in Europe. Essentially, this also has to do with the future of the Slovak Republic. From the standpoint of the political and primarily economic polarization which is occurring throughout the world, particularly in light of the North American NAFTA agreement with its possible expansion into Latin America and its joining the integrational grouping known as MERCOSUR, as well as in view of the new economic polarization of APEC in the Pacific which is forming (in the image of a free trade zone which should begin functioning in 2010 and 2020—in two stages), Europe is getting into a disadvantageous position.

Even if it were possible to complete the Maastricht process, irrespective of whether it would have 15 members or be expanded by the addition of countries in central or possibly East Europe, the EU can remain too small to be able to effectively compete in the future with the above-mentioned economic colossus.

For example, some two-fifths of mankind live in the APEC countries and produce 45 percent of the world's production and trade. At the same time, this area lacks sufficient fundamental energies and raw materials such as gas, petroleum, iron ore, and, in view of the shrinking forests, does not even have enough timber, nonferrous metals, etc. In this direction, the situation could become critical for West Europe sometime between the years 2005 and 2010 (by individual types of raw materials and energy carriers). And it is precisely Russia that has at its disposal resources which could cover the requirements of the rest of Europe for the long term. For example, it has virtually 39 percent of the world's proven gas deposits, 55 percent of the world's supply of softwood. A similar situation exists in terms of petroleum, coal, and a number of other components. West Europe is also aware of the promising nature of the Russian market, which is not only given by population numbers, but primarily by the enormous requirements to "service the area" (the length of pipelines, gas pipelines, highways, railroads, communications, the requirements of market services, etc.).

The Fight for Eastern Markets

That is why West Europe is already today engaged in a hard fight to establish itself in these Eastern markets, particularly in the Russian market, pursuing not only short-term, but primarily strategic goals. We left this market, in part, voluntarily, and will have a very difficult time reestablishing ourselves in it. Today, it is a different market than it was five years ago. What is questionable, however, is how long this relationship can function and, particularly, how long will we be able to stand it that we shall endeavor to obtain raw materials in the East and deliver finished products to the West, which conspires to diminish our trade area, but, at the same time, we will not be producing an adequate volume of foreign exchange needed to purchase raw materials, but primarily also for the modernization and restructuring of the economy.

From the geoeconomic standpoint, there is yet another problem facing us which—if we do not find the right solution and priority—could have long-range negative consequences for the Slovak Republic. From that which has thus far been stated, it is clear that there is an effort here to create a broad all-European or Euro-Asian economic area of cooperation (in the future, it may also give rise to a certain economic integration). This effort has its sponsors as well as those who disagree with it, individual partners frequently have contradictory interests in it and also include the United States, Japan, China, and possibly others. This area cannot be created without including central Europe. In central Europe, however, both geographically and geopolitically, the area of the Slovak Republic is decisive. Slovakia thus becomes the geopolitical key to the integration of Europe. That is why it is not by happenstance that there is sometimes even unpleasant interest in the Slovak Republic. Slovakia should play a key role in trans-European transport facilities, communications, and possibly even in financial veins, and the EU and its organizations are essentially demanding that we do so. We cannot avoid this and neither can we be a retarding factor in this process. But if we do not now develop cooperation, including trade cooperation along the major azimuths, in other words, even to the east, north, and south of Europe, if we do not begin to adapt our structure and orientation of trade, then the possible benefits for the Slovak Republic will be much smaller and, in the extreme case, we will stand here like modern-day nomads along supermodern highways.

More Strategy

This indicates that our efforts to integrate with the EU must constantly bear in mind broader and more strategic goals—namely contributing to the integration of all of Europe. In this direction, the thesis put forward by President Benes, namely that we should fulfill the function of a bridge between East and West, has been overcome. Slovakia has the only chance to fulfill the role of being the linchpin of the integrating European area and not to be a connector between two opposing banks of

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the river—and what is worse, given the unfavorable political developments in the entire Euro-Asian area, possibly even enemy banks. In such a case, the trans-European infrastructure could end at our eastern border in a "blind alley." The consequences for our developments and for our statehood in such a case can only be guessed at today. In this direction, a decisive role can be played by the position and orientation of the Slovak Republic in the geopolitical region where it is necessary to proceed from the standpoint of the principle of all-European security and its indivisible nature in Europe.

Targeted Investments of Government Program Viewed

95CH0132E Bratislava HOSPODARSKE NOVINY in Slovak 17 Jan 95 p 3

[Article by Norbert Tenczer, president of Slovak Savings and Loan, Inc.: "Targeted Investments (and the Deficit)"]

[FBIS Translated Text] The document which was submitted by the government faces a tough test beginning today in parliament by being debated in five committees of the National Council. The submitted intentions, goals, and approaches are the subject of debate in individual spheres throughout the economy; the financial sector is not exempted. In this connection, the intentions of finance policy which are stated as...the gradual attenuation of restrictive-stabilizing effects, which have been stressed up to now, and the assertion of stability-expansion effects are worth noting. It is not only in banking circles that there has been a long ongoing debate on safeguarding the necessary financial resources for such a process. The views of bankers, experts, and specialists are oriented toward several possible sources, primarily toward various loans and foreign investments, but also toward precise special-purpose new issues which are strictly controlled in view of their return on investment. The requirement for repayment, of course, also applies to any kind of loan, whether it is from abroad or from a domestic source.

I personally favor the assertion of both approaches following a consistent specification and thorough analysis of the anticipated evaluation of one or another source. This also represents an opportunity or a task for the solid banks in the Slovak Republic—in other words, not only for the two or three largest ones—who will have to actively seek out and apply an evaluation of funds for their own financial strategy in such a way that the price of the loaned funds would not be so high. The government will have to, however, set certain priorities in the economy to which it should tie the identification of certain necessary volumes of funding for individually dominant goals, and then the discussion should be followed by a decision as to whether the necessary volume of finances should be in the form of credit or a new issue. Every step along this road, however, requires extremely strict rules and strict adherence to these rules. However, under certain circumstances, the starting point for an economist can also be a strictly targeted (or precise) deficit in the state budget—in other words, not only targeted investments.

The system of safeguarding and creating the state budget exerts a primary and secondary influence upon the individual ministries and branches of the national economy and so the requirement to mobilize budgetary resources contains many stricter measures to support recovery, but also those measures that prevent the growth of surviving unhealthy manifestations involved in the lack of financial discipline.

And so we should take more express aim at safeguarding, but primarily at utilizing targeted funds even in the case of the targeted deficits in the state budget. In this, effective assistance could be provided by Slovak Savings and Loan, Inc., in accordance with previously stipulated transparent criteria. A healthy bank, such as Slovak Savings and Loan, has a sufficiently large human, technical, and resources potential to accomplish such complicated goals, from which the Slovak economy could draw adequate strength for purposes of activating developmental mechanisms which, in the final consequence, valorize even deposited investments.

Finance specialists and economists would, in the long run, not stay with two extremes such as emissions and credits, because any kind of extremes, not only those on the economic level, have their harmful effects. Utilization of several possibilities and approaches, which have been successfully tried abroad and have been "tailored" to domestic conditions in Slovakia can attenuate these negative effects. And this is also something which is involved in the financial strategy for the upcoming period and not only for 1995.

Religious Conversion of Former Communists Doubted

95CH0128A Kosice DOMINO EFEKT in Slovak 6-12 Jan 95 p 7

[Article by Miroslav Ondrus: "Communists and Symbols—Awakened Christianity of New Rulers"]

[FBIS Translated Text] After November 1989, a total reversal in the relations of secular power to matters spiritual took place. Government officials are attending church services (making sure they are filmed there) and visiting church dignitaries, most politicians are emphasizing the Christian traditions of the Slovak nation, and especially fashionable is to point out that one has served as an altar boy in one's youth.

While the prime minister was Jan Carnogursky and the chairman of the parliament Frantisek Miklosko, there was, we can say, nothing strange or abnormal about this. But the situation becomes more interesting the moment when among the 18 members of the government there are 17 former members of the avant-garde and the beacon of scientific atheism—the Communist party.

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When, for example, the new Minister of Education Eva Slavkovska, author of the epic about the harmful influence of clericalism, gazes at us from the television screen from a church pew, this takes on an undeniably piquant flavor.

We could, of course, deal with this by simply explaining that it is just ordinary hypocrisy. But in reality this is a deeper problem. This phenomenon gives excellent testimony about the communist essence of today's rulers.

The representatives of vacuous regimes, who do not offer any ideas and basically understand politics merely as a struggle for power, have always realized themselves to excess through symbols and theatrical spectacles. Although there were no gyms in most villages because of lack of money, and during physical education sessions children played at being "craftsmen" (at least the author of this article became unbelievably polished during his childhood in this discipline), nevertheless billions were spent on pompous spartakiads (the money spent on one of those shows would have been enough to build 30 new gyms; multiply that by the number of the spartakiads). Then there were the pompous May Days, which did not lag behind the NSDAP [German National Socialist Workers Party] torch marches in any way; from the square of every small town the Lenins and the Gottwalds & Co. gazed down on us. And so on.

The Communists operated according to a simple model: The more statues of Lenin, Gottwald, Marx, or Engels, the better the socialism. The more pompous the celebrations of May Days and the more magnificent the spartakiads, the more resolute the masses on their way to bright tomorrows. Of course, it was not as if the big shots on the grandstands were unaware of the chasm between them and the cheering crowds, but appearance was much more important than reality. When in their speeches they avowed how deeply the working people identified with their politics, when they unwaveringly asserted that our working people condemn the various Charters and candle demonstrations, it was pleasant to have those working people also demonstrated it publicly. A hundred-times repeated lie was to become the truth.

Following the year 1989, this kind of political practice tapered off for a while. With the exception of Matica [Slovak cultural foundation] or SNS [Slovak National Party], which liked to speak in the name of the entire nation, symbolism was not dominant. The situation abruptly changed after the 1992 elections and the subsequent birth of the Slovak Republic. It was the same case with the republic as it was with communism—most of the population was against, and the rulers were well aware of it. And so the same arsenal was brought out—all kinds of nationwide celebrations of unity. In place of the "longstanding struggle of the proletariat for socialism" there appeared the "thousand-year-old yearning of the Slovaks for independence." Bonfires to celebrate sovereignty were lit and linden trees planted to symbolize the constitution. The roughly 30 percent who were supporters of sovereignty spent almost 30 million korunas of the state's money celebrating on 1 January 1993. The Slovak Republic at the time of its establishment had absolutely no concept of a state, and so reality was replaced by symbols, in fact, by myths.

How does this relate to Mrs. Slavkovska and her colleagues? The currently displayed religiosity of the former communists is nothing more than a continuation of the practice of using symbols according to the above-mentioned model. The Christian traditions of the Slovak nation have become fashionable especially among raging nationalists, who want to camouflage their militant core with Christian moderation. The more Christian symbolism there is displayed around us regardless of good taste, the more Christian the Slovak nation will be: the more pictures there are showing government officials at church services, the deeper the Christian roots will be; the more religious holidays are marked in red on the calendar, the more "Western" and civilized we can present ourselves to the world.

You say it is unnatural for a former communist to become a believer? Well, it does not seem like that to these people. It is perfectly natural, as far as they are concerned, same as when a former altar boy studies at the Komsomol university or works as an advisor to Fidel Castro. Because for a communist it is not reality that is basic, for him the most important thing is appearance and symbols.

Therefore, to accuse Eva Slavkovska & Co. of changing their color and of hypocrisy would probably be too much of a simplification. These people probably do not feel any pangs of conscience whatsoever, and only shake their heads uncomprehendingly at the word repentance—what should they have to repent for? Because they have always behaved according to their best knowledge and conscience—communist, that is, because that is their very essence.

Periodical Celebrates Anniversary, Must Pay Fine

95CH0088B Bratislava NOVE SLOVO BEZ RESPEKTU in Slovak 19 Dec 94 pp 4-5

[Article by Marian Lesko: "A Weekly Called ZMENA"] weekly periodical named ZMENA [CHANGE] has experienced two significant events during the course of one week. First, its staff, numerous friends and sympathizers celebrated together the fifth birthday of the periodical. Then the Municipal Court in Bratislava ruled that ZMENA must pay 100,000 korunas to Professor Traubner because of the articles it published about him. It has to apologize for them and in the future refrain from making derogatory comments about the professor. The fact alone that the weekly lost the case is not interesting in itself because today anybody can lose. It is something else that is important—why the trial took place, how the people from ZMENA conducted themselves during the trial, and the way they reported it.

Sentenced, but Sentenced for the Truth

The plaintiff stated in his suit that in 1992 and 1993 the weekly published articles about him in which he was

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pejoratively called a Jew, his professionalism was belittled, and his ability to hold public office called into question. For example, one of the "lighthearted" columns concerned a certain "Professor Trapner, neurologist and chairman of the For Slovakia fund." Its author insisted with a straight face before the bench in the Municipal Court that in no way did he have in mind Professor Traubner, neurologist and chairman of the For Slovakia fund....

Judge Dr. Murgas determined after more than a year of court proceedings that ZMENA committed the acts of which it was accused because it did not publish an unbiased critique of the professor's work but disparaged his dignity and authority to a considerable extent. Ten days after the verdict was pronounced, ZMENA itself reported on it. You judge how it went about it: "What was it that we in fact published? That Professor Traubner is a Jew, that he is a member of the Jewish freemasonic lodge B'nai B'rith, that he is chairman of the cultural fund For Slovakia. This is all true.... ZMENA, therefore, was sentenced for stating the truth." Tibor Horak Sr. then contributed a new "lighthearted" column—it seems that if a newspaper writes that the head of a Jewish association is a Jew, then wham!: "He will collect 100,000 Slovak korunas." Such comments are in themselves sufficient evidence of how much respect for facts and rights guides the actions of ZMENA's editors, how much respect for truth they show in reporting to their readers. So that nothing would be left unsaid, I shall say it loud and clear—none.

Several weeks ago this observation would have applied at most to the weekly ZMENA. Today the situation is different. Maros Puchovsky, the editor in chief of the periodical, became, after the parliament's long night, a member of the Slovak Broadcasting Council. Present at the ZMENA birthday celebration was Vladimir Meciar, who said on that occasion that against the fleet of daily newspapers which "want to disburden us of the sense of national identity and turn us into cosmopolitans" there stands only "one cruiser REPUBLIKA, one destroyer ZMENA, one LITERARNY TYZDENNIK, and one EXTRA S." ZMENA, therefore, is in a different class now—it is no longer just the marginal publication it used to be because it is now in the inner circle of the present establishment. Which is a sufficient reason to take a closer look at what kind of change ZMENA is actually promulgating.

Builders of a New Civilization

If we believe the declaration of the editorial office, then the main goal is for us Slovaks to "remain ourselves." Apparently we will succeed in doing so only if we do not succumb to any "enslaving schemes"—that is, if we do not submit to principles such as: "You will believe in what they believe abroad, you will think the way they think abroad, you will work the way they work abroad, you will visit psychoanalysts just as they do abroad...."

From this follows that we have the obligation to maintain the highest degree of vigilance and caution toward the abroad. However, "abroad" is a rather inclusive concept. Which kind does ZMENA have in mind? After reading all of this year's issues, I can state with confidence that it has reservations only about an altogether concrete abroad—it calls it the West. Miroslav Svicky wrote about it with the flair of a gourmet: "Slovakia is sucking up to the West more than mindlessly. And the West relishes it." But we need to do something other than suck up to the West. A civilization must be built. "Some call it postcommunist; we call it Slovak," Mr. Puchovsky maintains. It is remarkable that the editor in chief of ZMENA does not consider the Slavic abroad to be foreign at all; otherwise, he could not have written the sentence: "There are 300 million of us." In relations with the West, we have to remain "ourselves," but in those "300 million" Slavs the Slovaks were dissolved immediately. Vigilance and caution are for ZMENA selective. Would you like to know why?

Maros Puchovsky cites historical reasons ("At a time when even the German kings themselves were ashamed to talk in barklike German and out of the mud earthen Strassbourg was being born, poems and books were written in our language, the Bible was translated into it. Who persuaded the squinty-eyed lackeys to squint toward the Atlantic, when our culture crystallized here, on the Danube and the Nitra?"), but also future ones ("It can happen that before long the Slavs will be the only defenders of Christian values, which the West gave up a long time ago."). If these reasons are not enough for you, I will add some more from the ZMENA workshop. Remember, dear readers, "where racism, fascism, and Marxism had their origin, and where they were still dealing in slaves from Africa as late as the last century?" To the east or to the west of us? Don't you see that the "ruddy face" of the President of the United States, Clinton, is "part of American culture?" Vladimir Mohorita, editor and staff writer, actually asked himself with that courage of his this question: "In the situation that exists in 1994, would Ludovit Stur support the entry of Slovakia into the European Union [EU] and into NATO, and a general orientation of Slovakia toward the West?" And with even greater daring he answered for Stur—indeed not, because we must go east! The gentlemen from ZMENA have boldly set out in that direction.

We Are and Will Be a Great Power

Maros Puchovsky pointed out that "the political turmoil which we have been witnessing for the past four years has a much greater dimension than would appear at first glance. The issue is not the fighting among embarrassing political figures and their petty squabbles. In the background there is the struggle for the entire Central Europe, its control and direction. Slovakia is the key." Now at last we know why we are so important—because on us depends the fate of Central Europe "as well as the orientation of the Slavs," on whom, in turn—remember

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Stur—depends the world of the future. Let us therefore forget our hangups and let us behave like a great power. After all, what could happen? The editor in chief of ZMENA knows exactly: "Everybody would be shaking their heads for a while, they would be surprised, but then they would get used to it. They would begin to take us seriously." I am afraid that they would get used to it allright, but they would hardly take us seriously. Even Puchovsky's recommendation, that we look at the world through the eyes of a great power which sees itself at the center of the universe and the earth, is not very practical because with such "eyes" we would stumble at every step.

It is unbelievable how much the ZMENA editors have produced while they were working out the basic "ideological" criterion for judging politicians. All that travail about the Slavs, new civilization, and the importance of Slovakia from the global point of view resulted in a pedestrian profundity which in the past was so often used by Vasil Bilak. Maros Puchovsky reformulated it thus: "Note, therefore, very carefully which ones of our politicians are praised and extolled by the West and which ones it condemns and hates. That will tell you who serves the abroad and who serves us." This criterion is systematically used in their political writings.

According to Vladimir Mohorita, there are only two political parties in Slovakia. "One is called SDL-KDH-DU-NDS-SKOI-MKDH-KOVAC-EGYUTTE-LES-MOS-DS-SPZ-KSU [Party of Democratic Left, Christian Democratic Movement, Democratic Union-National Democratic Party, Permanent Conference of Civic Institutions, Hungarian Christian Democratic Movement, Kovac, Coexistence, Hungarian Civic Party-Democratic Party, Party of Working Women, Christian Social Union], the other is called HZDS-SNS [Movement for Democratic Slovakia-Slovak Democratic Party]." The difference between them is said to be the fact that the first represents the project Slovakia as a colony, and the other Slovakia as a sovereign country. When in March 1994 Meciar received a vote of no confidence, ZMENA called it a coup d'etat. The anger of the editorial office at the new government found its elegant expression in the editorial statement: "This scum took over the government of the country through a bolshevik putch.... Let those disgusting worms crawl back underground." The HZDS chairman made a show of reading this particular issue of ZMENA in the back benches of the parliament. Roman Kalisky-Hronsky stood up for Meciar by relating a touching allegory about a wicked deck-hand who came to dislike his captain, just because the captain wanted to get some work out of him. The deck-hand organized a few ambitious sailors who stormed the bridge, locked up the captain below decks, installed themselves at the helm and changed the course of the ship. The point is simple: "This is called a mutiny, for which everywhere on the high seas capital punishment has been and is given."

Since Strobe Talbott, the second highest official in the U.S. Department of State, noted with appreciation in March 1994 that the change of government in the Slovak Republic was achieved in a democratic way, adding that by saying that he did not want to congratulate one party or a coalition but the people of this country, then there is no need to ask whose point of view was adopted by HZDS, when it decided to create a parliamentary commission of inquiry to ascertain the causes of the constitutional crisis which is said to have occurred in March 1994. The position of the governing movement and the viewpoint of ZMENA look as if the same mother had given birth to them. But maybe they just have the same father.

Look for Soros Behind Everything!

Since the weekly's editor in chief, its editors and contributors consider it proven that all except HZDS and SNS (and now also ZRS [Slovak Farmers' Union]) have sold out, they are faced with a self-evident duty—to find out to whom they sold out. Even though the weekly as a whole did not yet arrive at a definitive answer, individual probes have brought promising results. Investigator-editor Vladimir Mohorita concluded his investigation with the announcement: "Weiss, Carnogursky and other fellows of that stripe may be standing to the right or to the left of center, but this center is but a single trough. Its specific form could be called Gyorgy Soros who manages to pay with both his left and his right hand."

Soros has everything that ZMENA needs for its objectives: He is a financier, therefore he has the resources to be able to "pay"; he is a Jew, and, what is more, a Hungarian Jew, who is demanding some kind of "open society." He lacks nothing. Or, to put it in a better way—he has everything to make him into a symbol which personifies the corruption that comes from the West. It is no wonder that ZMENA began "working" with him. A writer who signed his article as Vojtech Nowak wrote after the first discussion with the president where Ivan Lexa and Olga Keltosova caused a scandal: "We are hereby notifying Mr. Soros that Frantisek Miklosko also acted according to instructions. He became incensed and stood up for the engineer-engineer." It is immediately clear that if somebody stands up for engineer Kovac, because that is the title used for the head of state by this nation-building weekly publication, he has only one single reason for doing so: a contented smile on the face of Mr. Soros. When we add to this the statement that it would be preposterous to have some "smart lecturer Itzak" from the United States instruct our top politicians, then it is not at all strange that the Municipal Court in Bratislava rejected the suit by ZMENA, which felt damaged by the statement of professor Taubner that he considers its activities to be a manifestation of anti-Semitism.

In explaining his ruling, Dr. Mugas referred, among other things, to the assertion by ZMENA that "Jews are pulling the strings of the economy and politics." Martin Dugas immediately engaged in a bit of irony in the

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weekly: "I am glad that he disproved it with his verdict." So the ruling, which did not suit ZMENA, is only one of the many proofs that we must look for Soros behind everything. Of course, also for those who sold themselves to him. The gentlemen from ZMENA are reviving in the Slovak situation the arsenal which was used before them so successfully by the enemies of cosmopolitanism in the thirties in Germany, and at the beginning of the fifties in the Soviet Union and its satellites. I would not recommend believing that the boys in ZMENA do not know what they are doing. I am afraid that they do know.

From the Viewpoint of Transportation and Communications

The world according to ZMENA, according to its editors and their staff writers, is supplemented by conversations with leading officials of their own stripe. It was precisely here that Jan Slota, taking umbrage at the Hungarians, asked the basic question: "Where did these people come from?" only to answer it in a direct fashion: "These riders on small, shaggy horses came from Asia, or from goodness knows what God-forsaken place, and they want to give us advice?" Ivan Lexa revealed on the pages of the weekly that the steps of Moravcik's government "can be labelled suicidal, because these people obviously do not wish to live here, they are merely working for somebody else." The quotation sounds as if it had been cut out from the booklet *Ztroskotanci a zaprodanci* [Failers and Sellouts], because the ability to discern that some people "obviously do not want to live here," those sharp fellows have always had. That is to be the qualification for being in charge of the Slovak Information Service or for supervising it? Roman Hofbauer quoted in ZMENA what he allegedly heard a pretty girl student say in the streetcar one morning: "Aha, it says in the newspaper that according to the statement of the U.S. Deputy Secretary of State Strobe Talbott, the United States cares about Slovakia. And that is worse than bad, because every country the United States cared about somehow never ended up too well." And then Deputy Hofbauer sighed "how good it would be for us Slovaks if all the great powers, even our neighbors, announced that they do not care about Slovakia and the Slovaks...." His colleague Dusan Slobodnik is assuring the influential foreign countries that the Slovak effort to achieve integration is unquestionable, that for Slovakia no other solution is under consideration. Maybe he should discuss this matter with his friend Hofbauer. Maybe he would find out what the advantages and merits of isolationism are from the viewpoint of transportation and communications....

Relations on the Surface, the Depth Beneath Them

The time has come to summarize.

ZMENA is a periodical that calls for change—practically in everything. Beginning with the evaluation of Tiso and ending with the current foreign policy. As far as the wartime president is concerned, it states that "a new generation of Dr. Tiso's slanderers created by bolshevik-Jewish-Hungarian forces has emerged," and adds that this man can be faulted for only one thing—he succeeded in making it crystal-clear that Slovakia can prosper without any assistance from the communists or Czechs. The behind-the-scenes forces in any kind of regime have never forgiven him for it, and therein lies his tragedy. In the area of foreign policy, expert Maros Puchovsky explained to the Austrians that by joining the EU they exchanged their independence for subordination to Brussels, and, moreover, by doing so brought the masses of "African and Turkish Muslims directly to the gates of Petrzalka." Concerning NATO, the editor in chief noted on the margin that "as long as the Czech Republic, Poland and Hungary want to push their way in, Slovakia cannot remain on the sidelines," but from the overall point of view, "the enfeebled North American Alliance is merely a personal protection for the Western senile millionaires' club." It is a lucky thing that our healthy genetic stock enables us to avoid both—senility as well as the millionaires' club.

At a time when the HZDS Press and Information Office is proclaiming that we shall not stray from the road to the European structures under any circumstances, the HZDS chairman says at the ZMENA celebration that it would be good if the daily SLOVENSKA REPUBLIKA and the weekly ZMENA had a larger number of regular subscribers who would guarantee certain sales and income. One thing is certain—in no way does ZMENA promote the integration into the European structures. If the HZDS chairman talks about ZMENA as a "destroyer," then it must be added that the fighters from ZMENA are torpedoing that which became part of the current Slovak government policy after November 1989. A policy, which was followed on the international stage by both the first and the second Meciar government. If it is followed also by the third one, then the mutual sympathy between ZMENA and Vladimir Meciar is only a profound misunderstanding. In the opposite case it is a signal that there will be a fundamental change in the policy as well as in the politician.

The relationship between one fighter and the destroyer has come to the surface. But we should be also thinking about the depth beneath it.

Mochovce Power Plant Hearings Said Staged

95CH0142B Prague PRAGUE POST in English 1-7 Feb 95 p 3

[Article by Maggie Ledford Lawson: "Slovak Nuclear Hearings a Less Than Open Forum"]

[FBIS Transcribed Text] Anti-nuclear activists charge that Slovak officials are turning required public hearings on two Soviet-style reactors into a farce.

An international lending agency has required public hearings in Slovakia and in any neighboring country that

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requests them as a condition for approval of financing for the completion of two reactors at Mochovce.

But the anti-nuclear activists claim that the hearings are being carefully stage-managed to avoid any real discussion of the issues.

Attendance at two hearings scheduled for Slovakia in the next few weeks will be open only to citizens of that country, and the hearings will be held at locations where the size of the crowd can be limited, said Karol Bodorik, an official with Slovensky energeticky podnik (SEP), the builder and operator of the Mochovce nuclear plant.

"We don't want a soccer-stadium atmosphere—there was concern that the meetings will become too emotional," he said.

Slovak officials canceled hearings that had been scheduled in Vienna for January 23-24 on grounds that the civic center where they were to be held was too large. The hearings, arranged by Maria Rauch-Kallat, Austrian minister of the environment and a critic of Mochovce, had been expected to attract a throng of anti-nuclear activists from many countries.

SEP officials also complained that they had not been officially notified of the hearing.

For anti-nuclear activists, emotions are high, because time is rapidly running out.

The London-based European Bank for Reconstruction and Development (EBRD) is expected to vote in March to approve a loan of more than DM 400 million that would allow the completion of two VVER 440-213 reactors at the plant, according to sources. The project was stalled in 1991 for lack of funds.

Assuming the loan goes through, it will be the first ever granted by the EBRD for construction of a nuclear plant.

The EBRD required the public hearings as part of the loan approval process, but it has set no guidelines on how they are to be conducted, said Keiko Itoh, a spokeswoman for the agency.

Bodorik said he expects to reschedule the Austrian hearings in February.

"We are proposing a gathering with a maximum of 200 participants, at which the media would be present, for a serious discussion of the issues," said Bodorik. The public has already been given the opportunity to submit written comments or to call a hot line, he said.

Lubica Trubinova, a spokeswoman for the environmental group Greenpeace in Bratislava, claims SEP's attempt to control the hearings is "clearly proof of an unfair process."

"We think they probably don't feel sure of their own arguments—that a power plant is really needed," she said.

Critics of Mochovce say the power plant will be neither cost-effective nor safe. Like the Temelin plant in the Czech Republic, Mochovce is being retrofitted with additional security equipment, but questions have been raised about whether the plant will ever come close to reaching Western safety standards.

The Austrians have pushed for rebuilding Mochovce as a gas-fired, thermal power plant, which they say will be cheaper in the long run.

SEP officials cite studies showing that the nuclear alternative will be 30 percent less costly than rebuilding the plant.

Mochovce is needed to meet an expected 4 percent average annual increase for electricity in the Slovak Republic, the officials said.

Electricite de France is a major contractor on the Mochovce project. Other companies involved in the project include Siemens of Germany, Framatome of France, Skoda Prague of the Czech Republic and Hydrostav of Slovakia.

The Russian government last year offered a loan to help finance the completion of Mochovce. However, Bodorik said Slovak officials have heard no more on the subject. He said, however, that the Russians are expected to provide hands-on technical help on the project.

Government Plans To Change Names of Ministries

AU2402200495 Bratislava PRAVDA in Slovak 22 Feb 95 pp 1-2

[Article by Rado Stevcik: "Ministries Will Change Names; Government Office Will Regain the Powers of Which It Was Deprived by the Previous Government"]

[FBIS Translated Excerpt] Bratislava—The Ministry of Education and Science is to be renamed the Ministry of Education, although it will retain all the powers it has had until now. This arises from an amendment to the law on the organization of ministries and other state administration bodies, which the Slovak Government approved yesterday. The amendment will still have to be approved by the parliament.

The Ministry of Transportation, Communications, and Public Works is to change its name to the Ministry of Transportation, Posts, and Telecommunications, with jurisdiction over public works to be transferred to the powers of the new Ministry of Construction and Public Works. According to Deputy Prime Minister Katarina Tothova, no higher expenditure is foreseen in the state budget for the construction department because the new ministry's staff will be transferred from the Ministries of Transportation and Economics. The new ministry will not take over the Environment Ministry's powers in the sphere of territorial planning and issuing of building permits. The amendment (which is already the fourth amendment to the law) also provides for the establishment of the Office for the Strategy of Developing

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Society, Science, and Technology [Urad pre strategiu rozvoja spolocnosti, vedy a techniky]. As Deputy Prime Minister Katarina Tothova told reporters during a break in the government meeting, there will also be a change in the position of the Government Office, which will become a central body of state administration. Apart from this, it will control the spending of state budget and other resources on state administration. [passage omitted] The responsibilities of the Government Office will also include the processing of citizens' petitions, complaints, and suggestions. It will thus regain the powers that it had previously.

At its 10th meeting yesterday, the government also approved a draft amendment to the law on elections to the National Council, which was initiated by deputies V. Mikulka, A. M. Huska, J. Cuper, and D. Macuska (all from the Movement for a Democratic Slovakia). The gist of the amendment to this law and some laws related to it lies in a change of procedure for selecting substitutes for deputies. Under the amendment, a seat that becomes vacant after the constituent meeting of the parliament is filled by a substitute selected by the political party from among candidates for deputies, while taking into consideration the specialization of the deputy being replaced. [passage omitted]

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Csurka Paper Urges Horn To Oppose Kuncze

95CH0118A Budapest MAGYAR FORUM in Hungarian 5 Jan 95 p 5

[Article by Zoltan Szocs: "Is the Horncze Cabinet Falling Apart?"]

[FBIS Translated Text] The waves of the coalition feud have also reached Bem Square [headquarters of the Hungarian Democratic Forum, MDF] by now. The television duel "did not improve the way foreigners view Hungary," according to Ivan Szabo. This reflects a real MDF concern, of a kind that rests on Antall's foundations. How the power struggle between the leaders of this country affects the "horrible" millions of god-given people did not even cross the mind of the MDF's Ivan,

Meanwhile, [Prime Minister Gyula] Horn acted like a desperate brakeman on a runaway railroad car, when he tried to slow down his partners' desire to make new acquisitions, their urge to gain ground in the HungarHotels case. To be frank, Horn's action produced pragmatic results, i.e., no results. The self-assured government commissioner for privatization Ferenc Bartha—one wonders whose support he senses—commented on the prime minister's intent to control the situation. He did so in an almost offensive tone of voice that would not tolerate contradiction, one hardly commensurate with Bartha's public official status. Bartha regards interference by the leader of a party that won the elections as scandalous: "I would like to see the already evolved privatization concept gain strength," he disapprovingly told NEPSZABADSAG (24 Dec 94), thumbing his nose at the prime minister who appointed him and who wants to accomplish the opposite.

Horn should have taken note of the fact that two things are sacred and inviolable from his standpoint too: One is business; the other is Saturday. He would be better off if he respected these two things.

The chain of alarm bells immediately began to ring because of the HungarHotels affair, and Bela Weyer of the London FINANCIAL TIMES—because by now, every worldwide newspaper has its own, private Weyer—anonymously interviewed a "banking professional" from Budapest who was also dumbfounded by the unprecedented action taken by the head of government, which, of course, "demoralized and weakened" the process of Hungarian privatization (FINANCIAL TIMES, 23 December 94).

Has it been possible to report anything new in this regard since 1990? This numerically insignificant but aggressive minority openly directs the affairs of this country. It won barely more than one-sixth of the vote in the May elections, and has lost some of its members since the elections because of its spineless, power-hungry cynicism, which has no sense of morality in politics. In the Horncze cabinet, "cze" is the boss, providing a classic example for situations when the tail wags the dog. This situation certainly exists in at least one place: the Hungarian parliament.

I swear I am light years removed from Horn, Marx, socialism, pufajka, reform communism, comradeship, Socialist International, and Comintern—in other words, from everything that fits in between the old and the new acronyms of the MSZP [Hungarian Socialist Party]. But today, as a politician who has become pragmatic as a result of this situation, my message is this: Get your act together, Gyula! If you pull off a dirty trick on him [Kuncze], your stature will increase in my eyes.

Frankly, you do need to grow a bit vertically.

Local Government Independence Curtailed

95CH0117B Budapest MAGYARORSZAG in Hungarian 16 Dec 94 p 8

[Article by Pecsi: "They Are Implementing What They Protested Against—The Government Can Control Local Governments"]

[FBIS Translated Text] The law on local government that was passed in the past parliamentary cycle was written in the spirit of implementing democratic local government. This in itself meant a return to the traditional Hungarian system of local governments, the roots of which go all the way back to the time of King Stephen I [11th century]. During the early Middle Ages in Hungary, the royal—and later gentile—counties represented the king's regional power; the latter functioned as the local nobility's local governments.

"The counties established their own statutes and ran the affairs of local government. Later on it was the lord lieutenant who exercised legal supervision," said Laszlo Salamon, deputy speaker of the house, summarizing the situation during those times as we talked about the historical precedence of the institution of the commissary of the Republic. "Through the appearance of the modern civil administration during the second half of the 19th century, the counties became local governments serving the entire local population, although the names and essential responsibilities of the various offices did not change: the subprefect was the elected head of the county government, while the lord lieutenant, representing the government, continued to oversee the county government from the aspect of legality and constitutionality."

The 1990 law on local governments abolished not only the system of councils that provided direct control over local governments, but also repressive control of towns and villages by the counties. It was the Republic's commissary who took over the supervision of the constitutionality of local government operations. The institution of the commissary of the republic was created as a compromise. In speaking of the period of negotiations, Laszlo Salamon said that when the MDF [Hungarian Democratic Forum] called, in its proposed bill, for the abolition of the council system, it sought to combine—reaching back to ancient Hungarian traditions—the traditions of public administration with the model of

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modern local governance as described in the European bylaws on local government. However, the opposition of that time protested against the proposed bill.

[The opposition] was very much against our proposal to use the term lord lieutenant—which, aside from the fact that it sounds archaic, cannot be faulted. They criticized the proposed form of the Office of the Lord Lieutenant, claiming it would curtail the autonomy of local governments, and they also criticized our plan to institute an Office of the Lord Lieutenant in every county. In the end, a compromise was struck: In seven regions defined by the parliament, as well as in the capital city, an institution of public administration called "Comissary of the Republic"—was established, with the main responsibility of overseeing constitutionality.

[Pecsi] The reason given for the present amendment of the law was that the institution of the Comissary of the Republic does not work.

[Salamon] This is refuted by the facts. The past four years have proved that commissaries of the Republic's have worked effectively indeed both in overseeing constitutionality and in carrying out their other tasks. This must be recognized despite the fact that the government coalition is, through the present amending of the law, actually moving in the direction of our original concept by abandoning the concept of regions with no administrative traditions and by endorsing a return to the concept of the county system that would take over the administrative responsibilities of the Commissaries of the Republic. Whether or not the present organizational changes would entail an increase in administrative personnel—which would contradict the government coalition's loudly proclaimed principle of a "less expensive state"—is another question. Incidentally: The amendment retained, in essence, the provisions concerning the individual responsibilities of the commissary of the Republic, although it abolished the institution of the Comissary of the Republic itself.

The office that would take over those responsibilities as part of the Ministry of Interior would be put under the supervision of the minister of interior. This would mean that the government would be able to control local governments, which could indeed curtail their autonomy—for it does make a difference indeed whether the responsibilities of the earlier lord lieutenant or the present commissary of the Republic are carried out by an administrator and an administrative office that is independent of the government or by a department of the Ministry of Interior.

With a touch of irony, the government coalition's "ability to grow" may be praised by saying that those who, as part of the opposition, were tormented by the nightmare of government centralization in connection with the concept of the lord lieutenant—whose office would have had the responsibility of supervising constitutionality and of carrying out other administrative duties, completely separated, organizationally, from the government—now that they are part of the government, have recognized that their fear was totally unfounded. So much so that they have assigned those tasks to the government itself.

Underworld Reportedly Seeking Ties to Press

95CH0117C Budapest NEPSZABADSAG in Hungarian 11 Jan 95 p 4

[Unattributed article: "The Underworld Is Seeking Ties to the Press, Says Antal Kacziba, Head of the Criminal Investigations Department"]

[FBIS Translated Text] *Major General Antal Kacziba, head of the Criminal Investigations Department, National Police Headquarters [ORFK], said that the organized underworld is trying to acquire positions within the police because it is in their vital interest to infiltrate the process of the judicial and economic decisionmaking. It is a new phenomenon that criminals are seeking ties with the press and want to use mass communications for asserting their interests.*

In speaking of police discipline last year, Colonel Istvan Piroska, head of the Discipline Department, ORFK, said that there is much criticism concerning the police, but that statistical data with regard to police discipline do not support those criticisms. He did not deny the fact that police officers committed serious criminal acts last year (including armed robbery and car theft), but these were isolated instances.

Last year police officers committed six percent fewer violations than in 1993. According to discipline statistics, driving under the influence continued, last year, to top the list of violations; there were 38 instances of abuse of power and 40 instances of criminal acts against property. In 19 instances, police officers were prosecuted for excessive use of force.

Colonel Istvan Komaromi, Police Chief of Pest County, even mentioned a specific case: the head of the criminal investigations department of the Monor police was suspended and prosecuted for failing to carry out the responsibilities of a commanding officer. He could not give account regarding the exhibits of five criminal cases. The county police chief also filed charges against the Vecses local police chief for suspicion of a criminal act.

Major General Antal Kacziba, head of the Criminal Investigations Department, said that it is in the vital interest of organized crime to infiltrate the police, the judiciary, and the process of economic decisionmaking. But he added, referring to an earlier statement by Colonel Laszlo Tonhauser, that it is not constructive to make statements about it without mentioning any concrete evidence. The general said that the organized underworld is trying to use the press to asserting its interests, and is also trying to discredit high-ranking police officials. In his reply to our question regarding this issue, Kacziba said that when he speaks of the relations between the organized underworld and the press, he is not thinking of criminals "buying" journalists; however, under the present conditions it is easy for a journalist

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not to interview every interested party in a case; consequently, the views and interests of the underworld tend to be emphasized in the published article. He added that this could be avoided by obtaining extensive information.

Growing Support for Skinheads Seen in Schools

95CH0118B Budapest NEPSZABADSAG in Hungarian 10 Jan 95 p 9

[Article by Judit Ujvari: "How Can an Outburst of Anger Turn Into a Movement? Skinheads in Hungary—An Examination of How an Ideal and a Life-Style Are Gaining Ground"]

[FBIS Translated Excerpt] [Passage omitted] In 1985, the authorities discovered that students at the military college of Eger were concealing and distributing foreign skinhead and fascist newspapers and pamphlets among themselves. Soon thereafter, the school's leadership removed the students involved in this matter.

Three years later, in the summer of 1988, the "bald men" of Eger established an organization called "Agria Skin." The leaders of this organization were the first to beat up colored people on 19 August 1988. The victims were Arab tourists. A medical examination revealed that they suffered bruises and broken noses. A court sentenced the skinheads to two years in prison, but they received amnesty when the system changed. A fight between skinheads and Gypsies, involving many people, erupted in the fall of 1989 at a disco, because the skinheads disapproved of the fact that Gypsies were among those entertained. This fight signaled the start of contention in the city between these two groups, fueling fear and passion through the mutual exchange of messages and threats, and minor fights.

War and Peace

[Passage omitted] On 14 September 1990, at the opening of the vintage, skinheads from Eger, Budapest, Miskolc, and Szeged gathered at Dobo Square. In a few hours, the number of people equipped with sticks and chains increased to between 150 and 200. Chanting anti-Gypsy and racist slogans, the crowd marched toward the Csebokszar housing project, inhabited mostly by Gypsies. On their way to the housing project, they gave chase to every passerby who looked like a Gypsy, and upon arriving at the scene, they surrounded Karaszek Square. On Karaszek Square they beat up Gyula Bader, honored as the voivod of the Gypsies, and who happened to walk his dog there. Those who found refuge in the buildings leaned out through the windows and threw beer bottles at the shouting crowd. In the end, police arriving at the scene put an end to the skirmish, by calling on the skinheads to leave the square.

The next day, 150 Gypsies equipped with sticks and knives assembled. They gave chase to everyone with short hair downtown; then broke into fragments the car of two tourists with short hair. The city was in the grip of fear: Gypsy parents did not let their children go to school, and the sawmill in the neighboring town was shut down because the Gypsies did not dare go to work. In the end, the two sides reached a peace agreement on 8 September at the police district command, where the voivod and Fritz, the leader of the skinheads, shook hands in a spectacular fashion to the satisfaction of journalists.

The skinheads of Eger became known throughout the country. Everybody was talking about a strong, organized skinhead movement. At this point politics entered into the lives of the Eger youths. The Christian National Union [KNU] was first to inquire about them. They met with representatives of the KNU in late October, 1990. In November, the skinheads of Budapest and Eger met. After several hours of ideological debate not devoid of passions, the skinheads drafted their joint demands. These pertained to the reacquisition of the detached parts of Hungary, an increase in the size of the military, the restoration of the role of the church, and of the use of ancient Hungarian symbols. From this point on, the movement began to manifest a nationwide organization: Skinheads in various settlements exchanged messages by mail and telephone, and organized meetings and concerts that frequently ended with atrocities "committed on Gypsies and people of color."

Registered Association

[Passage omitted] In September of 1991, an organization called September Skins was formed under the leadership of Tamas (Roy) Sneider; its goal was to rid Eger of Gypsies. They organized action groups of 25-30 individuals who walked around in the city with baseball bats and attacked Gypsies and people of color.

Beginning in spring of 1992, they organized regular meetings designated as youth clubs, and in the summer they established the National Youth Association of Eger. They held a regular organizing meeting, drafted bylaws, and elected officers. Members of the association received identification documents. As a result of Roy's organizing work, a significant segment of the skinhead youth from the northern counties joined the young men of Eger. Still in the summer of 1992, they got in touch with the Independent Smallholder's Party, and in August, the Independent Hungarian Youth Front, the party's youth organization, was established. Both associations designated the propagation of Christian and national ideals among youth, and a joint program for youth as their purposes. In 1993, both the Independent Hungarian Youth Front, and the National Youth Association of Eger—the latter with the changed name of Association of National Youth—became officially registered by the Court of Registry.

Skinheads recruited in Eger and in other parts of the country were organized by the two associations and marched in front of the parliament building on 23

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October 1992. (On this occasion they booed and overpowered with applause President of the Republic Arpad Goncz. The incident prompted months of debate, and is credited for having given rise to Hungarian Television's "Egyenleg" [Balance] affair.)

On 29 November skinheads from Eger and other parts of the country appeared at the dedication ceremonies of the renewed Turul bird [mythical eagle of the ancient Hungarians] memorial of Tatabanya.

In the spring of 1993, National Assembly representative Izabella B. Kiraly visited the youth of Eger to, with the help of the youths, collect signatures in support of a proclamation entitled "Seven Yes Votes for a System Change in Hungary." (At that time the unconditional empathy of the well-known female representative with "youth having national sentiments" was well known.)

AGRIA HUNGARIA, the first authorized right-wing newspaper for young people appeared in May. (According to competent officials, the permit was granted by the Ministry of Culture and Public Education because they were unaware of the targeted readership of, and the subjects to be dealt with by, the newspaper,) The newspaper carried articles about, among other things, skinhead life in Hungary, OI! [as published] orchestras, Hungarians abroad, and ancient Hungarian symbols.

The same year also saw the establishment of a so-called skin committee charged with the responsibility of investigating the situation in Eger. The committee found that although many skinheads visited Eger from time to time, the city could not be regarded as the cradle of the Hungarian skinhead movement.

Lawsuits And Judgments

[Passage omitted] In the summer of 1993, a week before the Holocaust commemorative ceremony, a few young people entered the Jewish cemetery and spray-painted fascist symbols on grave markers. When captured by the police, the offenders admitted having committed their acts. They were friends and did not belong to any political organization. For this reason the police bulletin stated that the desecration of the graves was a thoughtless action by young people. Thus the case was not presented to the courts.

Nevertheless, a few fights and atrocities did turn into court proceedings. This author has followed these proceedings without exception. The general conclusion one could reach is that even though in each case the skinheads assaulted people selected on the basis of ethnicity or religious affiliation, or on grounds that they were different, the indictments filed by prosecutors were not based on Paragraph 156 of the Criminal Code of Laws. (This paragraph sanctions crimes against national, ethnic, racial, or religious groups, and sanctions such crimes with a punishment of two to eight years in prison.) In most instances the charges amounted to grave physical assault or truculence committed by groups.

The suits progressed in a similar vein: the persons offended and the witnesses were scared and in many instances failed to appear in court. Defense attorneys and the defendants generally denied the ideological coloring of the acts committed, and in most instances made reference to personal conflicts. In most instances, the sentences called for six to 18 months in prison, and in quite a few instances the sentences were suspended.

Tibor B., a member of the Association of National Youth received the harshest punishment, as pronounced by the Heves County Court. This young man struck Dezso Olah, a Gypsy, in the head with a baseball bat because Olah allegedly molested skinhead girls. Olah suffered permanent brain damage. At the trial, Tibor B. asserted that he did not like Gypsies because they stole things and did not work. The Court was unable to accept this argument because the defendant had been previously convicted for 16 counts of theft and inflicting damages. In the end, this boy received a sentence of four years in prison for attempting to commit murder for base reasons. This trial and judgment was a milestone, because it was the first case that shed light on the real reason for the criminal act, and because the court pronounced a harsh sentence.

Beginning with the initial, aggressive insurrection, and spontaneous, angry burst of youth, this movement evolved gradually into an organized unit that pursues political discourse. The most recent assessment proves that the number of those who sympathize with the skinheads is increasing continuously in high schools, and even in institutions of higher education. The psychological reasons for this attraction are obvious: The movement provides community experience, and a physically weak youth or a young person with an indecisive appearance is able to feel strong and self-assured in this group. In the name (or under the spell?) of democracy, the previous government, willingly or unwillingly, provided a green light to the propagation of the ideal, and it seems that by now the process cannot be reversed.

Lacking experience and forceful action, this sucker of democracy continues to live. It is allowed to live.

Programming of New Commercial TV Station

95CH0117A Budapest MAGYARORSZAG in Hungarian 16 Dec 94 p 8

[Article by "K.P".: "Let Us Have Unbiased Information, Attractive Programs"]

[FBIS Translated Text] TV 3 began broadcasting recently. The company would like to acquire a frequency within a few months through special equipment. In the meantime, 1.4 million people can watch the live program within a 20-mile radius around Budapest. The programs, recorded on cassettes, are sent to cable television subscribers of major cities, adapting their program to the demand of almost 3 million people.

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Budapest Communication Company, which operates TV 3, was created last May through a 100-million-forint equity capital by the Budapest Municipal Government and the Television for Budapest Foundation, which was created in 1989. According to Andras Feuer, chief executive officer [CEO] of Budapest Communication Company, which operates the TV station, the company's history demonstrates how a private and politically independent television company can be established alongside the state's media monopoly. The goal of this new and independent TV channel is to provide high-quality entertainment. Consequently, its programming is simple and easy to follow. Romantic series, games, competitions, interesting movies, as well as news and cultural-political background programs follow one another. On weekends, they broadcast the Italian Soccer Cup live—something no other station does in Europe. In consideration of viewer interest, they voluntarily reduced the 20 percent advertising time that is specified in their license to 12-13 percent. Andras Feuer thinks that the market prices of advertising may easily make a businessman skeptical. One must consider the question of whether the Hungarian market allows commercial companies to conduct advertising activities profitably. According to present data, the equivalent of $30 is spent on advertising for each Hungarian citizen. On the national level, this means a sum of 30 billion forints that are available for advertising. More than half of this sum goes to the electronic media. A large part goes to Hungarian Television and Hungarian Radio.

Andras Feuer thinks that from this aspect it is not really possible to establish an increasing number of commercial productions, not even if the new companies introduce rational and self-limiting systems. Advertising is closely connected to the state of the economy, and growth makes advertising attractive for more and more companies. For instance, over three years, the per capita cost of advertising increased to 150 dollars in Spain.

"In the media bill, two versions were worked out for determining advertising times. Accordingly, advertising in the public media cannot exceed 10 percent, but there are already indications that media lobbying has already began in public television, seeking to amend the media bill so that large chunks of the 'advertising pie' would not have to be surrendered to others. If the media succeed, the private and commercial television market—which has not even developed yet—would be put in a very precarious situation," said Andras Feuer.

TV 3 now has 30 full-time employees, and the management does not want to change this. Only those who are not part of any other TV production may appear on the screen. The reason the director considers this important is that he thinks that the same faces appear day after day on public and cable TV, and the viewers no longer know which channel they are actually watching. TV 3 signs an annual contract with programmers, and it is stated in this contract that the news programs are the only programs in which they may appear on the screen. Andras Feuer is ready to sign exclusive contracts in the future—i.e., should a program director want to work at other electronic media and should for him to do so not be against the interests of TV 3, then the company would pay him for the program's intellectual value and sell it to other interested media.

In his reply to the question as to what extent commercial TV can assess daily politics or whether it can be involved in politics at all, Andras Feuer said that, from the aspect of the present use of the term, it cannot.

"I think people who are interested in political issues and problems do get their answers from public television. But most people do not wish to participate in politics directly; indeed, they dislike this kind of intellectual activity. This is why a commercial television station ought not to deal extensively with politics, because it would lose its audience and thus jeopardize its own existence. On the other hand, running a television company is a political activity, even if no direct means are used. Its attitude in news programming, or its selection of programs to be presented to the public, is nothing but playing politics. A good television company is very careful about the cultural message of its programs. With regard to us, too, our basic principle is to maintain a proper balance, to provide unbiased newscasts, and to create attractive programs."

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Government Spokesman on EU Integration Efforts

95EP0047A Warsaw POLITYKA-EKSPORT-IMPORT in Polish No 4, 28 Jan 95 pp I, IV

[Interview with Jacek Saryusz-Wolski, government commissioner for European integration matters, by Pawel Tarnowski; place and date not given: "When to the Union? Time Out for Thinking"]

[FBIS Translated Text] [Tarnowski] It will be only in 1996 that the European Union will undergo a "self-reappraisal" by defining a new road of development and the procedure for negotiations with the countries which aspire to join it. In view of this the present year will probably be a dormant one, in which nothing big will happen. From the standpoint of our national interest, is not it a total waste of time?

[Saryusz-Wolski] The European Union has long ago adopted this scenario and it can hardly be questioned. That would resemble too much tilting against the windmills. But the present year does not have to be a waste of time for us. After all, we shall be gradually coming closer to the EU under the plan contained in the association agreement. In mid-1995, at the Cannes Summit, a "White Book" is to be presented, meaning a program of action for Poland as regards the adaptation of Polish laws, without which we cannot be viewed as a serious candidate for membership in the EU. Moreover, by Christmas a set of alternative scenarios concerning the farm sector, which is highly important for us, should be readied. In a nutshell, this is simply the first full year of normal cooperation and at the same time a test of the association agreement.

[Tarnowski] Proponents of extending the EU eastward, both in Poland and abroad, are saying, however, that the pace of preparations is definitely too slow. For example, the recent Essen Summit forfeited the opportunity of determining the timetable of negotiations for the next three years. Time is passing, yet we made no progress in this respect.

[Saryusz-Wolski] Western evaluations of the meeting in Essen have indeed differed greatly, ranging from satisfaction to sharp criticism by a group of well-known British economists. The general rule is such: the higher the level of political appraisal, the greater the satisfaction and the fewer the reservations.

[Tarnowski] And what is your own opinion?

[Saryusz-Wolski] Our expectations were much greater. The adopted "Essen strategy" lacks a cardinal element—a timetable for joining the Union, which we have been demanding since 1992 when the Visegrad Memorandum was drafted. On the other hand, we should bear in mind how difficult it had been to draft that memorandum, even if it was only partially satisfactory to us. Actually, the significance of the meeting in Essen can be fully grasped only in the future, depending on whether the strategy adopted there will be implemented on remain on paper.

[Tarnowski] What specifically has the EU offered us in the meantime?

[Saryusz-Wolski] A formalized regular dialogue, starting at the level of heads of states and governments as well as ministers of state, and ending with the level of specially appointed committees and subcommittees. I want to believe that such meetings will be substantive rather than ceremonial.

Moreover, we view as important the suggestion and acceptance of the idea that Poland should gradually try to join the common market first built by the EC in the years 1986-92, which has become an element of the European economic area. At present the EU's interpretation of this idea is still not quite clear to us. Should this be a broader interpretation, that would go far beyond the present association agreement and the established free trade zone. Speaking in general, the still surviving restrictions on the flow of goods, services, and perhaps also of capital and manpower, would then be abolished or reduced to a minimum. I hope that this offer will be spelled out in more detail even before the first half of the present year is over.

[Tarnowski] Do not you fear that the transfer of the office of EU chairman for successive half-yearly periods to representatives of France, Spain, Italy, and Ireland—that is, of countries which are rather cool to the ideas of a rapid expansion of the Communities—might result in slowing the pace of negotiations to that of a snail?

[Saryusz-Wolski] The decisions to be taken at the conference evaluating the Maastricht treaties will be crucial. The EU as a whole must decide on its priorities and on what matters most to it. This is the fundamental issue. Of course, the extent of the commitment shown by the successive chairmen of the EU may affect the pace of the talks, but I do not consider this a decisive factor.

[Tarnowski] We have long known that the admission of Poland to the EU will be difficult to swallow for both sides. The "Fifteen" fear the cost and the surge of immigrants. Once the six new members from East Europe are admitted, the "Fifteen" would have to double their budget for development assistance, and augment the already horrifically inflated farm subsidies by an additional 20-40 billion ECU's. We, in our turn, though not all of us, fear destruction of the weak Polish industry, farm bankruptcies, and "sellout of property to foreigners." Whose fears are greater, theirs or ours, in your opinion?

[Saryusz-Wolski] That is hard to measure. Fears of varying extent and variously expressed exist on both sides. This is quite natural. In the EU countries, depending on the author's dose of optimism and professionalism, we can find calculations that admitting East Europe will cost the Communities from 4 to 80 billion ECU's. The higher calculations, drawn like a rabbit from a top hat, are made to justify the political argument that broadening the EU is practically infeasible. In Poland

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such calculation are cited uncritically, yet even at first glance it can be seen that they are fallacious. Before Poland enters the European Union, our national income and labor productivity will grow, inflation will diminish, and agriculture will be modernized, just as, besides, the basic principles of the operation of funds within the Communities will change. The authors of those disaster predictions are simply disregarding all these inevitable changes in Poland. That is their serious mistake.

[Tarnowski] Is it the high cost of expanding the EU alone that is tying the hands of Western politicians?

[Saryusz-Wolski] Unfortunately not. For the time being not much is known about ways of painlessly integrating so-called vulnerable sectors, that is, the textile and steel industries and primarily farming. Fears of a possible strong migration pressure have not completely disappeared, though they are diminishing. But it is the organizational maladaptation of the EU itself and its institutions to the growing number of members that is causing the greatest fears in Brussels and other capitals. These institutional structures had been "tailored" to six countries, whereas their number grew to nine, 12, and now 15, and it is to increase to 19 and more. Skeptics ask, how can the institutions survive all this?

[Tarnowski] In other words, increasing the European Union to "Fifteen" has not at all made the situation easier to us, right?

[Saryusz-Wolski] This is a fact whose consequences are difficult to foresee.

[Tarnowski] Politicians are speaking for the time being of a Europe of "different speeds," of "differing geometry," of "concentric circles," and with a "hard nucleus." The details differ but in reality the point is to separate the "better" from the "worse" ones, the stronger from the weaker, the more committed from the less committed. Yet the reasons for the strength of the EC and subsequently of the EU resided in, among other things, its considerable homogeneity and identical nature of rights and obligations. Is it by now possible to foresee any major changes in the nature of the EU next year?

[Saryusz-Wolski] You are idealizing the former Communities, which never were a monolith. Great Britain and Denmark were granted a separate status, and likewise various exceptions were made to the "currency snake." Even now it has already been assumed that in the new EU, which will change further in 1996, there will be at least two separate categories of membership; one for those who join the economic and monetary union and the other for those not joining whether or not they meet the Maastricht criteria of convergence. The Europe of the first and the second circles is already a fact. But it is not certain whether that "first circle" will be an elitist one or open to all those who meet the established political and economic criteria.

[Tarnowski] They fear us, and we fear them. For the time being not much emphasis is being placed on the consideration that the process of our legal, economic, and even political adaptations [to the EU] may be painful to us. The prospects for our joining the Union are still unclear, and the related problems and eventual sacrifices are as yet not palpable, so that three-fourths of the Polish public are enthusiastic about this idea. It can be assumed a priori that this enthusiasm will gradually diminish. How will you convince our Polish skeptics and unbelievers to favor integration with the Union?

[Saryusz-Wolski] The mathematical simulations conducted so far point to a definite conclusion: The cost of remaining outside the EU would be much higher to the Polish economy than all the social, financial, or legal "costs" which we will have to bear during the toilsome and difficult process of integration.

[Tarnowski] It might be concluded that the Norwegians, who after all live in a country with a much higher per capita income, do not know how to count [since in a referendum they rejected joining the EU].

[Saryusz-Wolski] On the contrary, I think that they are great mathematicians. Norway has crude petroleum and fish which its citizens at present do not intend to share with others. But it is not to be precluded that in the future they will change their decision.

[Tarnowski] There is no doubt that, once Poland enters the EU, our farmers will be the most painfully affected. Can the current governing coalition, which is based on a strong peasant party, show genuine determination in promoting Poland's admission, bearing in mind that it would have to pay the price of losing part of its electorate?

[Saryusz-Wolski] In one way or another, changes in the Polish countryside are inevitable. As for the European Union, from its very inception it has been particularly sensitive to farming problems and devoting to them especially much attention and money, for which it is strongly criticized. Joining the Union will thus entail for Polish farmers also not only sacrifices but also certain advantages and assistance. Besides, preserving the existing unmodernized farm sector is simply not in Poland's interest.

Our problem at present is that we just do not know what will the EU's common farm policy be like in, e.g., the year 2000. Hence the theory, which anyhow applies not only to farming, that we must adapt ourselves to EU provisions and regulations on treating them like "a duck in flight" which has to be "shot down" at some distant and unfortunately as yet unknown point in the sky rather than at the point at which it is located right now in mid-flight. This is not easy, as any duck hunter knows. But I do not believe that Poland can avoid this trial.

[Tarnowski] One and one-half years ago we had engaged in minor trade skirmishes with the Union. Brussels unexpectedly blocked imports of Polish cattle, and cherries, currants, and other fruits. Since then, however, apart from a few antidumping proceedings, we have been

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living in exemplary accord with the EU. Is that due to fair weather or perhaps to better agreement among the bureaucrats?

[Saryusz-Wolski] Once the association agreement took effect, the scale of the freedom of flow of goods has been increasing, and hence also room for conflicts has been diminishing. For some 15 days now all Polish industrial products with the exception of steel and textiles have had free access to the Union's markets. This is a big and important change. The partners are getting to know each other better and better, and the association committees and numerous subcommittees have started working, so that the process of mutual consultation has become smoother. What is more, at Essen was adopted our postulate for creating an "early warning system" prior to taking restrictive measures against a partner. Thus, the mistakes you mentioned may still happen but, I hope, they will keep decreasing in number, the more so considering that the economic trends in Europe are finally improving. In such condition consensus is more easily reached.

[Tarnowski] The European Union continues to decline setting not only the date for our admission but even the date for commencing the negotiations. Could you tell us what is our "dream timetable [for admission]" like at present?

[Saryusz-Wolski] Next year the Union will decide its future shape and fate. In 1997 we want to commence negotiations, which must last two years, more or less. Next year will be the time of ratification procedures, and at the turn of the century we hope to become a member of the European Union, though with an appropriate transition period following our admission. However, at present no one in the West is willing to confirm this timetable. It thus looks like we have to have patience. Next year some decisions are bound to be taken on this matter as well.

[Tarnowski] Thank you for the conversation.

Agricultural Sector Accommodations for EU Entry

95EP0034A Warsaw ZYCIE GOSPODARCZE in Polish No 2, 8 Jan 95 pp 33-36

[Article by Andrzej Kwiecinski, of the Economic Analyses of Agricultural Policies Section: "The Agricultural Road to the Union"]

[FBIS Translated Text] On 8 April 1994 Poland officially applied for membership in the European Union. The experience of the countries which joined the Union after 1970 indicates that the period between the application for admission and the admission to membership takes from about two years (Norway) to about nine years (Portugal). However, applying does not automatically trigger the integrative process, considering that, e.g., Turkey has been associated with the Union for 30 years and has applied for membership seven years ago but still has not as yet been able to reach the stage of the opening of negotiations.

Assuming that in the case of Poland there do not exist any important reasons for delaying the opening of negotiations by the Union, and that the Intergovernmental Conference of the Countries of the European Union, or IGC, in 1996 will not markedly alter the existing requirements for integration, the optimistic variant would be that Poland would become a member of the Union about six years after having applied, that is, after the same period as in the case of Great Britain, Denmark, Ireland, and Greece. Hence, Poland's joining the Union could occur as early as in the year 2000.

Assuming this variant to be realistic, the timetable for Poland's admission to membership in the European Union would look as follows:

—1994, applied for membership.

—1994-96, application considered by the European Commission.

—1996, Intergovernmental Conference of the Countries of the European Union.

—1996-97, formal negotiations commenced.

—1998-99, completion of negotiations and transition to ratification procedure.

—2000, membership in European Union, with a transitional period of five to 10 years.

Assuming that the formal procedure for Poland's entry into the Union will follow the above scenario, it can be supposed that the integration of Polish agriculture with that of the Union will take place over the following three basic stages:

Period of association until 2000, with two subperiods:

—Until 1996 with a modest reciprocal opening of agricultural and food markets as defined by the European Treaty.

—During the years 1997-2000 with broader opening of agricultural and food markets as a result of negotiations conducted during 1995-96.

Transitional period of membership until about 2005.

Full adaptation, in 2005 and subsequently.

Assuming a less favorable variant, the entire procedure from the application for membership until admission would last about nine or 10 years, as in the case of Portugal and Spain. Then membership would be possible in 2003 or 2004. Most likely then the transitional period would be shortened.

Aspects of the Strategy of Agricultural Development

The process of the integration of Polish agriculture with the European Union will have to consist mainly, though not exclusively, in its adaptation to the Union's requirements. Four principal domains in which this process will be of special importance can be distinguished: real, institutional,

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business, and regulatory. In each of these domains adaptation will have different distinguishing features.

Real Domain

Adaptation in this domain will reduce to a rapid increase in the productiveness of resources of the Polish agriculture and food industry. Given the anticipated unrestricted increase in the domestic demand for food products (by about 1-1.2 percent annually) and the limited possibilities for increasing their exports, a rapid rise in productiveness and a relatively slow increase in agricultural output will be possible only if productive resources [manpower, fixed assets, liquid capital, land] are diverted from agriculture. A prerequisite for this scenario is the rapid growth of the economy as a whole, which would nourish the demand for the resources (especially manpower) freed by agriculture.

Variant forecasts (W. Poczta, 1994; J. Pawlak, 1994) of changes in the extent of resources of Polish agriculture until the year 2002 are presented in the table below. The conclusions of the two authors differ markedly, especially as regards the state of the fixed assets of agriculture.

Forecasts of Changes in the Production Resources of Polish Agriculture During the Years 1990-2002*

Resource	W. Poczta; Years 1990-2002		J. Pawlak; Years 1993-2002	
	Variant 1, in percentage	Variant 2, in percentage	Variant 1, in percentage	Variant 2, in percentage
Labor	- 20.5	- 34.5	- 13.0	- 20.5
Fixed assets	- 20.0	- 20.0	+ 8.5	+ 42.2
Liquid capital	0.0	0.0	Undated	Undated
Land	- 2.6	- 5; - 10	- 11.5	- 6.0

* Assumptions, based on estimates; for broader interpretation see: (Poczta, 1994) and (Pawlak, 1994).

A rapid growth in the productivity of production resources in Polish agriculture will be necessary during all the stages of integration with the EU. For the next 15-20 years, however, this still will not suffice to match the average productivity of Polish agriculture to that of the Union's countries. Still, contrary to the apprehensions and fairly oft-voiced opinions, this is not a sine qua non. Its lower average productivity does not deprive Polish agriculture of competitiveness, which can be achieved in two ways:

—Through the rise of an effective enclave of Polish agriculture comprising about 30 percent of private farms and a majority of former state and cooperative farms, which together should generate about 70 percent of the commercial output of Polish agriculture. These should be farms capable of growth, managed by young farmers and efficiently adapted to the challenges of the integrative process.

—Through a lower appraisal of the worth of production resources, and especially of labor and land, which will afford an opportunity to the less efficient farms accepting a relatively low remuneration of labor. Under these circumstances low remuneration of labor would have to correspond to low labor productivity.

It should be emphasized that adaptation in the real domain is not a prerequisite for integration with the EU. The productiveness level of production resources within the EU varies greatly, and it is no obstacle to the application of the same principles of community policy to countries as different in this respect as Greece, Portugal, Great Britain, and Holland.

Adaptation in the real domain also implies the development of rural infrastructure (expansion of telephone networks and gas mains, reelectrification, road construction, water supply, sewage mains, facilities for environmental protection, etc.). In this respect considerable progress has been made in recent years, thus affording an opportunity for implementing a program for the broad development of the countryside. This is a prerequisite for creating differentiated sources of income for a majority of rural households, which will not be able to earn a living from farming.

Institutional Domain

Adaptive processes in the institutional domain comprise: The formation of an efficient market information system; commodity exchanges; monitoring of domestic and foreign markets; efficient quality control systems; adaptation of food regulations and food norms and standards to their counterparts in the EU; and the conclusion of veterinary and phytosanitary agreements with the EU and other neighboring countries. This domain also comprises the continuation of the reform of the [agricultural] counseling system. Also needed is an expansion of the system of the banks serving the food industry and agriculture, the revival of the rural cooperative movement, and the rise of efficient organizations of farm producers participating in the creation of the institutional foundation of agricultural markets.

Adaptation in the institutional domain can be accomplished rapidly, because it is a prerequisite for the integration [with the EU]. It also provides a framework for the rise in agricultural productivity.

Business Domain

Adaptation in this domain will consist in continued matching of the volume and structure of trade in Polish

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farm products to the requirements of the European Union's market and to the comparative advantages that emerge in measure with the liberalization of trade between Poland and the EU. This will require adapting the level and structure of farm and food production to trade ties with the Union.

The government's involvement in this domain will consist in providing favorable conditions for spurring trade. The system of association and trade agreements concluded between Poland and current and future members of the EU (EU, EFTA, CEFTA) in the years 1991-92 is the point of departure for strengthening cooperation and abolishing trade barriers between Poland and these countries. A similar role is played by the agreement ending GATT's Uruguay Round, signed by all these countries.

The changes in the Polish trade in farm and food products during the 1980s warrant concluding that the adaptation of the structure of Polish agriculture to the possibilities for exports to the EU market had commenced already at that time. This resulted in a 55-65 percent share of the EU in Polish trade in farm and food products in the early 1990s. Hence we should speak of a continuation of this adaptive process rather than of its commencement.

Allowing for the trends in Polish trade in farm and food products with the EU during the last 10 years, and on the basis of a competitiveness analysis, several directions of agricultural production with a relatively high potential for exports to the EU market can be identified. They are: Fruits and vegetables, rapeseed, certain poultry and other meat products, and fish, raw and processed. In general, these are labor-intensive products and their competitiveness hinges on the maintenance of low manpower costs in Poland.

Regulatory Domain

Adaptation in this domain will consist in matching the Polish farm support system to the specific methods, scope, and intensiveness of farm support in the EU. Much indicates that this will be a reciprocal process consisting in mutual adjustments, as distinguished from the other three domains in which Poland will have to adapt itself to the Union's requirements.

The Common Farm Policy (CFP) [of the EU] has in recent years been markedly modified. The nature of [government] intervention is changing. The traditional absolute priority given to supporting agriculture by means of instruments of the market type is giving way to the application of more differentiated instruments. The new system for the organization of the subsector markets covered by the reforms provides for:

—Cutting the regulated prices of basic farm products by 15-30 percent.

—Introducing, concurrently with the price cuts, direct subsidies compensating farmers for the loss of income due to these cuts.

—Making eligibility for such compensating subsidies contingent on reducing the area of cropland or reducing the extent of animal production.

—Terminating the direct relationship between size of production and the amount of state assistance granted.

—Tightening the requirements for assistance to the farms which are capable of coping with competition on their own, and by the same token channeling more assistance to the farms actually needing such assistance.

In the EU the restructuring of the market regulating system is being accompanied by complementary measures of structural policy linked to the policy of environmental protection. It should be emphasized that the new model of the Common Farm Policy does not reduce the cost of farm support and merely realigns extensively the forms of such support. Preliminary estimates indicate that the initial effects of the reform, at the level of individual farms, are beginning to produce effects consonant with the expectations, especially as regards pro-ecological attitudes.

The Cost of Farm Support

Thus, the Union's new farm policy remains a highly expensive one. The financial implications of the integration of Polish agriculture with the Union may be among the biggest obstacles on Poland's road to the Union. According to OECD figures, the overall cost of farm support borne by taxpayers and consumers ("total transfers") in the EU countries has reached $135.5 billion in 1993, of which the cost borne by taxpayers was $59 billion, and by consumers $77 billion. Between 1989 and 1993 this cost has, in nominal terms, increased by 33.5 percent. It has been calculated that in 1993 the cost of protecting agriculture within the EU amounted to $385 per capita, or $15,500 per fulltime farmer and farm employee and $980 per hectare of farmland (with allowance for the former GDR).

Obviously, Poland is incapable of financing the system for agricultural protection currently followed in the EU. This is due to the low national income in Poland (about $2,177 per capita according to the official rate of exchange, or $5,065 in terms of parity of purchasing power, as compared with about $19,000 in the European Union), and also owing to the high farm employment (25-27 percent of total employment in Poland compared with 7 percent in the EU) and the considerable share of food expenditures in household budgets (40-50 percent in Poland compared with less than 20 percent in the EU). According to preliminary estimates made in the OECD on the basis of data provided by the [Polish] Institute for the Economics of Agriculture and Food Industry, the overall cost of farm support borne by taxpayers and consumers ("total transfers") in Poland in 1993 was about Z46.6 trillion [zlotys], or about $2.6 billion, with the cost to consumers being Z33.9 trillion ($1.88 billion) and to taxpayers Z13.7 trillion ($0.76 billion). In per

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capita terms the cost of farm support was $67, and per hectare of cropland it was $139, i.e., it was one-sixth or one-seventh of the cost within the European Union. At the same time the overall cost of farm support in Poland in 1993 equaled 3 percent of gross domestic product (GDP), thus being markedly higher than within the EU, where it was 1.8 percent. This indicates that despite the low level of farm support in Poland, even now it is proportionately a greater burden on national income in this country. Such a situation is primarily due to the low level of national income in Poland.

On analyzing the PSE (Producer Subsidy Equivalents) coefficients determining the relationship of the spending on farm policy to the value of farm output for Poland and the European Union it can be seen that during the years 1987-93 support for farm producers in the EU was stable and much higher than in Poland. In Poland producers were highly subsidized during 1987-88 but this situation was reversed in 1992-93, when the PSE coefficients became negative. Subsidies were restored in 1992, but lately the average value of PSE coefficients in Poland has been less than one-half that in the European Union. Compared with the EU, support for Polish producers of oleaginous crops, milk, beef, veal, and mutton has been particularly low. At the same time, despite the generally lower level of farm support in Poland, during the period in question several products received greater support in Poland than in the Union. They are: Pork, poultry, and eggs. In 1993 the PSE coefficient for poultry in Poland was as much as more than 50 percentile points higher than in the EU. The products which throughout the period in question retained positive PSE coefficients in Poland have been: Pork, poultry, eggs, and sugar.

The above analysis indicates that in the event of Poland's entry into the EU equalizing the system and level of farm support would require considerable expenditures which would largely burden the taxpayers of West European countries. This prospect is disturbing to these countries and magnifies resistance to including the countries of Central-East Europe in the Union. However, it may at the same time operate as a factor prompting the Union to continue its Common Farm Policy reforms even beyond the framework of the Uruguay Round of GATT.

Conclusions

Poland's attention should be focused not on the existing Common Farm Policy, which in the coming years will be extensively modified, but on the directions of changes which may result in the creation of a completely new model [of that policy] which Poland will encounter in the future. To Poland it matters greatly that the emerging directions of these changes will probably favor a greater differentiation of structures in agriculture, more emphasis on the ecological factor in farm production and farm policy, and the reorienting of budgetary spending from price supports to aid for regional and structural programs.

Attempts to model the methods and level of support for Polish agriculture on the EU's existing Common Farm Policy would result in burdening Polish consumers and taxpayers with the related costs, and hence also in serious adverse consequences to the growth of the economy as a whole (a rise of the cost of living and greater budget deficit) and indirectly also to agriculture. For these reasons, until it obtains membership in the EU, Poland should pursue its own agricultural policy adapted to the condition of the Polish economy and avoiding additional burdens to consumers and taxpayers.

The adoption of solutions similar to those of the Union's farm policy should therefore be deferred until the transitional period following admission to membership in the Union, that is, after the year 2000. This approach has been successfully applied by Spain and Portugal.

A proposed scenario for the adaptation of Polish agriculture to the European Union in the four domains is presented as follows: the adaptive processes should be particularly intensive: in the real domain, from 1994 to 2005 and beyond; in the institutional domain, from 1994-2000; in the business domain, from 1994 to 2005; and in the regularoty domain, from 2000-2005. Its adoption will be linked in obtaining membership in the Union while the level of support for Polish agriculture is as yet lower than in the EU. This should facilitate adaptive processes in the Polish economy, including agriculture. However, the attendant perils should also be borne in mind.

There also may arise a need to find more funding for the social support of the rural population in order to partly offset the lower level of price supports. The economic effectiveness of this approach would be incomparably greater than the alternative of emulating the existing model of [the EU's] Common Agricultural Policy which, as known, results in the accumulation of unsalable farm surpluses and an avalanchelike growth of costs of intervention, including export subsidies. The latter alternative also causes a relative decline in farm incomes and favors big and most intensive farms which do not need assistance (80 percent of spending from the Agricultural Fund in the EU is on the 20 percent most productive farms).

Right's 14 Jan Unity Conference Described

95EP0040A Warsaw POLITYKA in Polish No 3, 21 Jan 95 p 7

[Article by Mariusz Janicki: "The Right is Partially Together—Solidarity Solicits Jan Olszewski's Support"]

[FBIS Translated Text] Last Sunday the Right again became united. Before that there was a problem in identifying the place where this was to happen. Several [rightist] parties refused to provide specifics, claiming that they had no knowledge of such a place. At the main office of the ZChN [Christian National Union] people also were uncertain—three different sites were named

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and finally the POLITYKA reporter was asked to call the ZChN back as soon as he finds out something. Ultimately, after reliable information was received from the Party of Christian Democrats, the conference took place.

* * *

The conference at the Polytechnic, attended by representatives of nine extraparliamentary rightist parties, was largely symbolic. And indeed, it was the largest since the June 1993 demonstration in which several hundred people took part. The walls of the Small Auditorium were hung with banners, threats against criminals, and a genuine wooden plank bearing the inscription "The UPR (Union for Real Politics) is the last lifesaving plank ['lifesaver belt']." The rightists may know who their top leaders are, but they do not know each other well, as was apparent from numerous mispronunciations of the names of speakers summoned to the podium, even though they play important roles in their organizations.

Parties belonging to two blocs, Alliance for Poland, and Accord of 11 November (with the exception of the RdR [Movement for the Republic]) declared their unity. Paradoxically enough, contrary to the intentions of its organizers, this conference, supposed to demonstrate the unity of the Right, revealed many divisions. The UPR does not want to cooperate with Solidarity while the Conservative Coalition and the ZChN want such cooperation very much and the remaining parties simply want it. The SLCh (Peasant-Christian Party) of Artur Balazs wants to reach an agreement with the Freedom Union [UW], while the other parties are definitely opposed to it. Seven parties would be willing to nominate joint candidates in the next parliamentary elections, but Aleksander Hall's Conservative Party, the SLCh, and the ZChN do not think it a good idea. The ZChN, or at least a major part of that party (Jan Lopuszanski's faction) does not preclude supporting the reelection of President Lech Walesa, but Center Accord and several other parties will never agree to it. Another division concerns the attitude toward Jan Parys's and Jan Olszewski's Secretariat of Center-Right Groupings. The ZChN and Gabriel Janowski's Peasant Accord want to cooperate with it, while the other parties belonging to the Alliance and the Accord do not view this as possible and do not want to be represented in the so-called coordinating committee at St. Catherine Parish with the Rev. Jozef Maj. The nine parties (with the aforementioned exception) do not want that secretariat for reasons that are rather personal. As for the secretariat itself, it does not want the "Nine" for similar reasons—it does not like their probable candidate for the presidency of Poland, Adam Strzembosz, on the grounds that he is not sufficiently anti-Communist. As far as a common program is concerned, no agreement was reached on such a major issue as Poland's future participation in NATO. Is all this unity of divisions or vice versa?

At the conference several dozen speeches were delivered. The loudest applause was received by the long-absent Marek Jurek who declared, "The struggle for the unborn is a priority," and "Legally and biologically the rupture with the PRL [People's Republic of Poland] did not take place," and further, "The nation is becoming proletarized." Moreover, other speakers declared that the future Constitution must contain Christian values and that secular ethics is simply Communism. Poland is facing the danger of being led outside the circle of Latin Civilization. The draft Constitution authored by Freedom Union was termed "a criminal creation." Such was the visage of this ideological-ethical bloc.

As regards the economy, the Union for Real Politics reiterated its well-known arguments that the government is disrupting the bonds of the family by granting pensions and welfare allowances, that children are becoming unneeded, and that "support for single-parent families and the duress of having to pay premiums for old-age pensions" are reprehensible. Fiscalism, the mass privatization program, and the absence of reprivatization [restitution of nationalized property] also were condemned. The vision of Polish agriculture proposed by Peasant Accord is such as to make even a return of the PSL desirable: the fault for the miserable condition of the Polish countryside is not at all that of the agriculturists; if things go on, the peasants will lose, first, land, then traditions, and lastly faith. One man only, a SLCh representative, diffidently said something about the need for an increase in the labor productivity of farming. As for the state sector, nothing was said about it other than the same old banalities, though a reference was also made to the existence of some otherwise unspecified mythical great projects for improvements which have not so far been initiated.

Much discussion was devoted to the issue of Poland's participation in European structures. Those supporting this participation most ardently actually voiced the greatest doubts about it. Various speakers said that rapprochement with especially those countries which question the Maastricht accord is needed, the Brussels bureaucracy should be opposed, caution is needed, a place for Poland should be found in Europe without entering it because we have always been part of the Mediterranean culture, etc. These views, including the issue of membership in NATO, did not differ especially from those voiced by certain SLD and PSL [Democratic Left Alliance and Polish Peasant Party] deputies, and they were most explicitly expressed by Jan Zamoyski's National-Democratic Party, with only a Center Accord representative dissenting with them, and indirectly at that.

The program planks on which the nine parties reached a consensus are to be disseminated for consultation to various groupings. For the time being, a brief declaration was deemed sufficient.

The parties uniting themselves at the Small Auditorium revealed one more explicit, and apparently objective, external division among themselves. Such groupings as

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the Conservative Party, the Conservative Coalition, the Peasant-Christian Party, and the Party of Christian Democrats are calm, relatively reasonable, and moderate, and they tend to focus on practical issues, as of course viewed from rightist but consistent positions. One would like to say that they are "safe" parties. Four other parties (the ZChN, Peasant Accord, the National-Democratic Party, and the UPR) take ideological, populist, or extremely doctrinal positions which, however, often are not rightist at all so far as economic issues are concerned. As for Center Accord, it stands more or less in the middle and it appears to consider political tactics most important. The attendant differences in operating modes and rhetoric are quite obvious. Even so the parties of Hall, Ujazdowski, Balazs, and Laczkowski are too weak to act on their own. The "Nine" formed a kind of marriage of convenience in which each partner is not completely honest and sincere.

Backstage there was still much talk about Solidarity, whose draft Constitution is, to be sure, in many respects socialist, whose head is partial to the unpopular Parys and Olszewski, and whose representative, Leszek Szewc, was insulted at the conference by Janusz Korwin-Mikke because he wore a sweater. But still, Solidarity is a force not to be sniffed at. The rightist parties lack strong structures such as are needed in any election, but they have ambitious leaders who want to return to the Sejm and again be reckoned with upon pursuing a completely new policy and creating a completely new country. It may be worth noting in this connection that as many as seven out of the "Nine" parties had previously been part of several Solidarity governments, especially in Hanna Suchocka's cabinet. Now that its last government collapsed through its own fault, Solidarity is in the position of acting like a locomotive pulling forward the parties whose defeat it had caused. Perhaps that is why Marian Krzaklewski [Solidarity leader], who seems to be somehow aware of the absurdity of this situation, wants to include in his quiver the arrows of the Right rallied round Jan Olszewski, meaning the rightists who were removed from power by Lech Walesa and not by himself.

Commentary on Army, Defense Issues Debate

95EP0048A Warsaw POLITYKA in Polish No 4, 28 Jan 95 p 7

[Article by Marek Henzler: "General Merriment: The Army's Uniforms Pilfered"]

[FBIS Translated Text] For a couple of years now the military have been waiting for a thorough Sejm debate of national defense issues, and last fall new laws on the office of the defense minister have been drafted. They were to be subjected to a well-prepared debate, but after postponing it several times, the Sejm finally found the time for it at the least convenient moment, considering that the post of the d[illegible] minister has been vacant for two months, the parliament has already adopted the 1995 budget, and at the ministry of internal affairs, a ministry just as important to national security, there is wrangling concerning the appointment of the next "presidential" minister. To an outside observer the Sejm debate did not differ much from the former "thematic" plenums of the Communist Central Committee when some important social issue used to be considered by a group of titled comrades and a torrent of verbiage flowed for hours before finally a Central Committee resolution settling, as was assumed, that important issue was adopted.

But the course of the Sejm "plenum" on national defense was even worse, because the deputies did not pass the related resolution and tabled its draft with a committee. Was such an outcome perhaps expected by Gen. Tadeusz Wilecki and his deputies from the Polish General Staff, considering that they did not even show up during that debate? Some of the Sejm deputies viewed this as an affront. Others commented that these officers were just then being fitted for tuxedos.

On the other hand, President Lech Walesa praised the generals and their subordinates from the Sejm pulpit, "The uniformed military have been and are very well accomplishing their objectives to the extent to which resources are available." Yet, at the same time one looks with a critical eye on those 1,500 staff positions (at the Ministry of National Defense—author's note) and wonders whether such occasionally unproductive use of funds can be afforded considering that funds are not available for tanks and other things.

"Were the proper regulations in force, situations such as the one that caused Drawsko would not have arisen," admitted the Supreme Commander of the Armed Forces. "Let me make it clear that I knew about it and was perfectly aware that it would be costly and be a subject of political games, but I could not wait any longer." [Drawsko was on 30 September 1994 the locale of a secret meeting between the army high command and Walesa, to discuss dismissing Defense Minister Piotr Kolodziejczyk. The meeting was leaked to the press and caused a furor.]

Lech Walesa revealed, causing merriment among the deputies, that he spent "considerable time donning even a military uniform in order to get a closer look at certain subjects." And indeed in 1994 the president had changed clothes many times. Certainly he wanted to show who, not only under the Constitution, is the supreme commander of the armed forces. The president's entourage and he himself undoubtedly paid attention to the findings of polls taken by the Military Institute for Sociological Surveys in March 1994, which showed that 72 percent of the career military polled declared that the president's actions served the society ill. Only 23 percent of the cadres gave the president a good grade.

But regardless of the motives behind the recent actions of the president and other politicians, the military need nowadays priority in clearing up their legal status—and money. No prayer book authored by a general will substitute for money.

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In the last five years much has changed in the military. Following the dissolution of the Warsaw Pact, the transfer of control over the military to a civilian minister, and the disbanding of the corps of political officers, the military became autonomous and apolitical. Basic military service was shortened to 18 months, and those under arms number nearly 200,000 fewer than in PRL times. We are developing cooperation with the NATO armies, even though we still are waiting for the West to define the date and conditions for our joining that alliance.

At the same time the military have reached the bottom of financial abyss. They still are not receiving the 3 percent of the GDP promised in the prime minister's speech to the Sejm. Most of the defense ministry's budget is spent on salaries. The arms industry is dying in the absence of orders from the military. Discipline in the army is loosening, with many moonlighting, and the until recently secretive military press is publishing a growing number of reports about mismanagement and thefts. Last December POLSKA ZBROJNA disclosed that the military procurature is investigating construction scams in the Warsaw garrison; it has estimated that about half a trillion zlotys (!), or enough to build 933 additional apartments, was wasted. The same newspaper reported on the capture in Lodz of 16 soldiers and "fences" (with 15 under temporary detention) who had for a couple of months been stealing and selling uniform kits from a depot holding so-called fixed stores which they were supposed to guard. The losses were calculated at about 500 million old zlotys. One uniform with accessories costs about 4 million zlotys, and thus from that one depot alone enough uniform kits were stolen to clothe an entire army company.

Of the more than 100 legal regulations concerning national defense, in the last five years only about 15 could be amended to adapt them to the Third Polish Republic, some with only cosmetic changes. The military are waiting for the a new defense minister, the sixth since 1989. That also is why Deputy Leszek Zielinski, from the pro-Walesa Caucus of BBWR [Nonpartisan Bloc for Supporting the Reforms] Deputies, declared during the debate, "This must be stated very clearly. It is obvious that the politicians of the former [anticommunist] opposition made an exceptionally grave mistake in entrusting many important decisions on national security to persons with basically pacifist views." It would be hard to view as pacifist such [former defense ministers] as J. Parys, R. Szeremetiew, or R. Sikorski, and especially former Deputy Prime Minister H. Goryszewski who was, no less than the president, enamored of military playthings. Nevertheless, these views of the BBWR deputy were certainly to the liking of the spectators in military uniforms who watched the Sejm debate from the visitors' gallery, as was the view that "Publicity about our attempts to be admitted to NATO was substituted for genuine changes and concern for the condition of the military."

The NATO issue ran like a red thread through all the debates within the partisan caucuses of deputies. The accusations made by the resigning [foreign] minister A. Olechowski concerning the course of foreign policy pursued by the governing coalition have once again made it necessary for the various parties to take a definite position on this issue. Jerzy Szmajdzinski (SLD, or Democratic Left Alliance) [chairman of Sejm National Defense Committee] even declared, "The principal objective of the Polish policy on national security and defense strategy, fully accepted by the Democratic Left Alliance, is equal membership in the North Atlantic Treaty Organization and the European Union." Leszek Bugaj (PSL, or Polish Peasant Party) declared less firmly, "I feel obliged to affirm my party's political will to support all measures hastening full integration with NATO and continuing closer contacts with the West European Union." Leszek Moczulski (KPN, or Confederation for an Independent Poland) stressed regional and European cooperation, declaring, "Nobody has said that NATO has to be the sole form of Poland's international security. There can be other such forms, and the efforts on NATO's behalf should not be made at the expense of other political undertakings."

No such doubts about the choice of an ally were voiced by Tadeusz Mazowiecki (UW, or Freedom Union) and by the representative of Labor Union and BBWR. In principle, only Deputy Tadeusz Polanski, in a separate speech, warned "against hasty embroilment in big-time politics and world military affairs." In view of the low effectiveness of as many as three kinds of armed forces in Poland, he proposed "the formation of suitably effective deterrent forces, modeled on French and British forces." As known, the French and British employ the nuclear deterrent. For Poland, in that deputy's opinion, "effective aircraft and ground-to-ground missiles armed with conventional warheads" will suffice. More such opinions, proving the notion that every Pole is an expert not only on medicine but also on the military, were rather not voiced. It may be that our generals will classify among such opinions J. Onyszkiewicz's (Freedom Union) claim, "In Poland the cult of the armor still persists," whereas, as the former defense minister pointed out, the example of Chechnya alone demonstrates that tanks will probably share the fate of dreadnoughts, which have long disappeared from the sea.

Later during the debate the first reading of two drafts, the Sejm's and the president's, of a law on the powers of the agencies directing the military took place. The Sejm draft clearly states that the defense minister exercises his duties with the assistance of the ministry, of which the Polish General Staff is a component part "as the institution commanding the armed forces." The minister is to determine the organizational structure of the Polish General Staff, with the chief of staff and the military information services being subordinate to him, and the minister's decisions transmitted to the head of the General Staff "have the power of a military order." But the president views it differently in his draft: The head of

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staff is to be responsible for commanding the armed forces and is subordinated not to the defense minister but directly to the president. It is to the Chief of Staff, and not to the civilian defense minister, who is basically the representative of one political party or another, that the military information services are to be subordinated.

The defense minister, even if he is a "presidential" one, must principally attend to funding and to morale within the military. Both drafts were tabled to the Sejm National Defense Committee. Few believe that their provisions concerning competences of the military can be reconciled before the relations between the president, the parliament, and the government are redefined in the new "big" constitution yet to be adopted.

Mass Privatization Strategy for 1995 Presented

95EP0038A Warsaw POLITYKA in Polish No 1, 7 Jan 95 pp 13-14

[Article by Jacek Mojkowski: "Timetable, '95: Mass Privatization; The Prime Minister Has Signed the Program—What Next?"]

[FBIS Translated Text] The Mass Privatization Program is proof that if one waits long enough for something one gets it. Now, a year and half after the passage of the Law on National Investment Funds (effective in June 1993), that program can finally begin to be implemented. The prime minister has finally signed the bill. To be sure, additional pertinent decisions of the prime minister have yet to be taken, but it seems that the most important step is now behind us. What will now be the timetable for the Mass Privatization Program, a humongous organizational challenge to the Polish economy in 1995? For the time being the prime minister raised the semaphore and the next few stations already are visible, but the trackage on this route still remains twisted.

The Mass Privatization Program (PPP) or, as it is formally termed, the Program for National Investment Funds and Their Privatization, has been eliciting (and surely will continue to elicit) considerable controversy. In recent years it has broken a record of its kind, since probably no other economic program has been so extensively discussed (or, as some say, "dragged through," and others say, "defanged" in the parliament).

Practically everything, both the concept itself and individual words in the texts of successively proposed bills, has been questioned. The issues raised were both actual and totally imaginary, which was partially due to unfamiliarity with the program (unfortunately it is a complicated one), partially to the phobias associated with privatization, and in part also to the ordinary cynicism of politicians to whom "putdowns" of the PPP served as a pretext for settling personal accounts among themselves. Finally, in the spring 1993, at the expense of concessions and compromises, the PPP was passed by the Diet owing to the support of leftist deputies.

As is usual with a compromise, few if any are completely satisfied. This also happened in the case of the PPP. Thus, was it worthwhile to defend the PPP? Its supporters still believe that it was. Mainly because no alternative program of broad-scale support has as yet been put forward for several hundred state enterprises. The PPP affords them this opportunity.

The Captain and His Team

That is because the biggest problem of Polish state enterprises is lack of capital and professional management. The number and worth of actual Western investments in Poland remain ridiculously low ($4.3 billion). In terms of the statistical per capita we are greatly outdistanced in this respect by Hungary and the Czech Republic. In their turn, the dearness of credit at Polish banks and the low profitability of our state enterprises do not warrant believing that these companies are capable of helping themselves with their own resources. Thus, help must come from the outside. One way of bringing it about was the idea of creating Investment Funds which would undertake to put some Polish state enterprises on their feet.

Generally speaking, this is how it would look: Since, in the new economic situation, the weak or sinking companies find it difficult to survive singly on the market, let them be combined into groups. In this way they will compose a national investment fund. To manage the fund we hire professionals—experienced banks and counseling firms with good contacts on the international and financial markets. These contacts and that experience are to assure access to the capital, know-how, professional counseling, etc., needed to survive by the state enterprises belonging to a given investment fund. Of course, the professional management firms will not accomplish this gratis or because they have a big heart. Their earnings are linked to the financial performance of the investment fund, which in turn depends on the performance of the individual companies composing the fund. In this way, the fate of the entire team (in this case, of the fund) depends on the effectiveness of its players (the companies) and its captain (the managing firm).

This type of investment funds has been operating throughout the world for years and the Polish Program for National Investment Funds is thus not original. Its only flaw is that, being a novelty in this country, it had been considered in the early stage of discussions of the PPP more as an undertaking of an ideological rather than economic nature.

When Will Privatization Come?

The "massness" or universality contained in the Program's name has not helped either. Many thought mistakenly that this is a project for "an immediate settlement of all privatization" and that now every citizen "will get something out of it." Yet from the outset at most only several hundred

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companies, that is, about one-tenth of the industrial enterprises of the state sector, were expected to participate in the program. In such a situation this is more like a pilot program than a mass program.

As for that "mass privatization," during the initial stage of the program it will in principle not take place. Basically, we shall be dealing with improvements in the management of assets of the state enterprises whose stock will be contributed by the State Treasury (which is their factual owner) to the NFI (National Investment Funds). And because the owner of all the shares contributed to the funds is initially the state, these enterprises will remain under state ownership.

Their actual "mass privatization" will begin only after "the people" appear on the scene and exchange their Universal Share Certificates [stock vouchers], which they received from the state, for shares in the NFI (see the timetable below). Then it will be no longer the state but the people, Polish citizens, who become the owners of the funds.

Later, once the shares can be purchased and sold and dividends from them received, we could say, "One gets something out of it." For the time being, however, this still the song of the future, because before the PPP enters the stage "for the public," it has to pass the stage "for the technocrats."

Timetable of Events

By the end of January 1995:

—Adoption by the Council of Ministers of an executive order enabling the State Treasury to grant government loan guarantees for the loans which the European Bank for Reconstruction and Development intends to grant to the NFI.

—Adoption by the Council of Ministers of an executive order defining the technical rules for the allocation of shares in companies to the NFI.

—Resolution of the bidding for the distribution of share stock vouchers (bidding announced 8 November 1994).

By the end of February 1995:

—Conclusion, by the NFI supervising councils, of negotiations with management firms and final selection of these firms, along with initialing of agreements (including a management contract and a loan agreement based on funds from the European Bank for Reconstruction and Development and the World Bank).

—Registration of the NFI by business courts, contribution of share capital by depositing it in NFI accounts, signing of management contracts and other attendant contracts.

By the end of March 1995:

—Selection of controlling blocks of shares in companies by the NFI and distribution of minority blocks of shares among the NFI.

—Adoption by the Council of Ministers of an executive order specifying the shares in companies to be contributed to specified funds.

—Assignment, by the minister of privatization, of controlling and minority blocks of shares to the NFI along with an increase in their share capital, on reporting this fact to the court of registry.

By the end of May 1995:

—The increased share capital of the funds is entered in the Business Registry.

Summer of 1995:

—Share Certificates [stock vouchers] begin to be distributed [to the public].

End of 1995 and Beginning of 1996:

—Distribution of Share Certificates is completed.

In 1996:

—Public trading in NFI shares is opened.

—Exchange of Share Certificates for shares in the NFI.

The Technical Problems

For the NFI to arise into being complicated legal procedures, economic analyses, etc., have to be performed. Until now they have been performed in theory as it were; owing to the absence of major government decisions launching the program, those interested in it have had to work out on paper different theoretical approaches, splitting hairs as it were.

Perhaps no other economic program in Poland has been so elaborated in theory, producing so much paperwork. At one time, public information programs about the PPP were even broadcast on television. There already occurred several "false alarms" about the PPP being supposedly ready to get rolling "within days." Each time this was followed by a period of silence and the NFI Department at the Ministry of Privatization began all over again to adjust its bar charts so as to eliminate data that were no longer topical.

However, owing to recent decisions—approval of the nominees to NFI supervising councils and determination of the list of management firms—some more clarity began to reign in this matter.

—First, 444 state enterprises (Treasury companies) were assigned to the NFI. Originally their number had been set at 600 but the list was revised by the prime minister on the recommendation of his advisers. It took a long time for him to give his consent, and in the meantime things did not stand still: after waiting uselessly for two years, some enterprises which used to

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be eager about joining the PPP either found something better for themselves or went under so deeply that they ceased to be eligible for the program (one requirement for joining the PPP is operation in the black).

Thus there remained 444 companies whose combined worth is estimated by accountants at 70-80 trillion zlotys [Z].

—Second, it is known that these 444 state enterprises (Treasury companies) will be parceled out among 15 NFI.

—Third, it is known by now who shall supervise the operation of the NFI on behalf of the State Treasury. After months of analyses, reviewing of some 7,000 petitions, resumes, and interviews with applicants for the competitive appointment of members of the NFI supervising councils, the Search Committee identified a group of eligible candidates. They, too, had to wait a couple of months for a positive decision by the prime minister, which finally came at year end.

—Lastly, fourth, the names of the management companies offering to direct the NFI are known. Their offers, too, were reviewed by the abovementioned Search Committee. Ultimately it proposed a list of 19 mixed (Polish-foreign) consortiums specializing in management.

What Next?

Since the birth pangs of the PPP were particularly sharp, the question remains whether all the attendant problems are over by now. Admittedly, the timetable for its launching will be greatly affected by the successive executive orders and signatures of the prime minister, without which the program will not move. The most important concern the approval of:

—Procedure for allocating shares in 444 enterprises to individual funds.

—Composition of the funds (which companies, in which funds).

—Sample form of share certificate.

—Procedure for distributing share certificates.

But before these matters ripen for a decision many "technical" aspects have to be attended to, with some already being tackled at the end of December 1994. Of these the most important has been the first attempt to "mesh" the NFI supervising councils with the management firms which would attend to direct management of the funds. This was accomplished by means of a lottery; the chairmen of the supervising councils of the 15 NFI drew one lot each with the name of one of the 19 consortiums proposed by the Search Committee several months previously as the management firms. As known, there is to be one such firm for each fund. As a result, four consortiums lost out, but this does not mean that they are out of the game. Should the supervising councils be dissatisfied with the performance of the consortiums chosen by lot, another lottery will be organized. The results of the first lottery will be made public on 10 January.

Negotiations and Drawing Lots

If a management firm is liked by a given supervising council, negotiations commence about, among other things, its concept of managing a fund, its ideas about restructuring the enterprises belonging to the fund, the operating expenses of management, the remuneration of managers, etc. If an agreement is reached, the supervising council concludes a contract with the firm.

Next there will be the selection of 444 enterprises (companies) for the 15 individual funds. Each fund will "draw" one company from the list of the 444. The selection will continue until all the companies are distributed among the 15 funds.

This "assembling" of the funds greatly resembles the formation of soccer teams among schoolboys, with the team captains picking players individually by the "one for you and one for me" method. Except that in this case there are 15 captains and 444 players. And so as to avoid special privileges for any of the "captains," or the funds (as known, the first ones to draw lots have greater choice than the last ones), the primacy of choice of the "players" (companies) is also determined by drawing lots.

The outcome of the selections is verified by the Antimonopoly Office, so that no fund would include an excessive concentration of enterprises of a particular industry, which might result in concluding monopoly agreements prejudicial to the market.

Why Are They Joining the NFI?

A major question is the reasons why Treasury companies want to join the National Investment Funds. Their principal motivation is, as ascertained by interviews with company directors, the hope of thereby finding easier access to Western capital and to markets, as well as the hope that the fund managers will advise them how to restructure themselves, offer some ideas on production, find for them a strategic investor, etc. But it is hard to be specific at present, considering that the National Investment Funds have not yet been completely formed and, what is more, the identity of their sponsors is incompletely known.

That is to say, foreign assurances of financial support for the PPP are nebulous. The companies here are somewhat skeptical about the extent and willingness of foreign commitment to our PPP. As proof they cite examples of their great troubles in obtaining loans which in theory have long ago been available to Polish enterprises. The procedures to be followed, the loan guarantees and sureties needed, cause such loans to be practically unobtainable to many enterprises. In this case those professional management firms could prove useful, because

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given their experience and familiarity with the realities of the capitalist economy they can open access to financial channels.

What Will be the Foreign Contribution?

For the time being it remains for us to note that the European Bank for Reconstruction and Development (EBRD) has declared its readiness to grant loans of $400,000 each to each fund once it is established. Additional loans of $2.8 million each for each fund are possible if they are backed by government loan guarantees. In sum, all the funds taken together have an opportunity to obtain an overall credit of $48 million.

The EBDR reaffirmed its declarations of the fall of 1993 that during the first few years of operation of the funds they can be offered loans totaling $200-300 million annually.

Irrespective of such credit for the NFI the companies belonging to the individual funds can also solicit financial support, on condition that they submit interesting investment projects.

In its turn, the World Bank intends to set aside $140 million for the Polish mass privatization (to pay the salaries of management firms during the first two years of operation, to restructure companies, and to finance the distribution of share certificates [stock vouchers].

What is in it for the Public?

The procedure for establishing the NFI is hardly of consuming interest to the so-called man on the street. To technocrats it certainly is of great interest, since they decide on the sometimes huge enterprise assets and may be major beneficiaries of these decisions. But what about the man on the street? He too will be a shareholder in the PPP, but somewhat later, after he is provided with his stock vouchers. Will he derive some financial benefits thereby? No one at present can answer this question. Once trading in stock vouchers and NFI shares is opened properly, and thus once the market will decide their prices, then it will be clear whether we are ahead or not.

Thus for the present it only remains for us to practice the following theoretical exercise:

In deciding to establish the National Investment Funds the government has to contribute some assets to them. These assets are in the form of shares in one-person Treasury companies. Taking at 100 percent the shares in each enterprise (company) included in a fund, we find that:

—60 percent of the shares becomes owned by the funds.

—25 percent of the shares is retained by the State Treasury.

—15 percent of the shares—nota bene!—is granted free of charge to the workforce of each enterprise participating in the NFI program. If you work for one of the plants allocated to the NFI, look out, because soon they will start giving out shares on the principle of "equality of allotment," or on the basis of house rules. As to the value of these "papers," it too cannot be determined at present. Their price will be determined by the laws of supply and demand, once a normal capital market with trading not only on the stock exchange but outside it begins to operate in Poland. For the time being we can merely assume in general that if a company belonging to the NFI is a growth company, then its shares will also "grow" in value. It would thus be difficult to lose money on them, especially when one receives them gratis. The more so considering that, like any other equity shares, they too entitle their owner to share in the profits of the company, that is, to receive dividends.

But gratis shares for the workforces of the companies belonging to the NFI are just one and not the most important aspect of the question of "how will people benefit from the NFI."

A basic element of the PPP program is granting to any adult Polish citizen the right to buy a share certificate, that is, a share in the assets of all NFI. The share certificate, or stock voucher, is a valuable warrant which can be traded just like common stock. Its price will be determined in the future by the market, and nowadays no one is wise enough to predict that price. (Speculations on this subject and all sorts of the related "figuring" have already been published in the POLITYKA-PRYWATYZACJA SUPPLEMENT, issues No. 19 and 31, 1994.)

One thing is certain for the time being: The law states that receiving these certificates requires prepayment of 10 percent of a person's average [monthly] wage. Thus, should we want to pick up these certificates, we would have to spend on them about Z700,000 (in denominations of Z70). How many of us will decide to do so?

Sejm, Government Reprivatization Drafts Compared

95EP0042A Warsaw ZYCIE GOSPODARCZE in Polish No 4, 22 Jan 95 p 11

[Article by Ewa Piechota: "Reprivatization Still Far Afield"]

[FBIS Translated Text] It is to be deplored that the recent Sejm debate focused solely on the Sejm reprivatization proposal, which was anyhow voted down upon its first reading. (Footnote) (Sejm proposal for a law "On Reprivatization and Compensation.") Until the last moment many had hoped that it would be considered along with the government's proposal. (Footnote) (Government draft of a law "On Compensation for Loss of Real Estate Nationalized in Violation of Government Regulations in the Years 1944-1962.") That is because optimists had believed that finally a compromise

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resulting in the preparation of a joint draft of a reprivatization law would be agreed upon.

The two drafts are intended, each in its own way, to bring into order ownership issues relating to property nationalized in the years 1944-62.

The Sejm draft provides for granting equivalent compensation in all cases of nationalization. The government draft, on the other hand, grants compensation only whenever property was nationalized in violation of the laws then binding. The government would grant full compensation only for forfeited property worth up to 2 billion old zlotys. For property worth more than that the former owners would be compensated correspondingly less.

The drafts also differ in their estimates of the value of claims and the number of claims filed. If the government draft were to be adopted, some 300,000 claims totaling 100-150 trillion old zlotys would have to be reviewed, with compensation to be paid only in the form of reprivatization vouchers.

Under the Sejm draft, on the other hand, more than 500,000 claims totaling 300 trillion old zlotys would have to be reviewed. The compensation paid would be chiefly in the form of restitution in kind (e.g., restitution of apartment buildings, mansions, forests, land) or in the form of stock (shares) in privatized enterprises. The draft also provided for compensation in the form of substitute property and lastly in the form of reprivatization vouchers.

The adoption of either draft in its present form would be disadvantageous for various reasons, because both solutions are largely of an extreme nature.

Undoubtedly, both drafts display advantages and disadvantages. A principal advantage of the Sejm draft is the possibility of its acceptance by the constituencies of former owners, while a major asset of the government draft is the realistic nature of its provisions. But it should be clearly stated that implementing a thus designed act would not resolve the issue of privatization in this country. It would trigger an outbreak of discontent among claimants, along with protests from the potential losers, who claim that "the government draft of the reprivatization law is an attempt to once again sanction the nationalization conducted half a century ago."

It can thus be concluded that the resolution calling upon the government to prepare during the first quarter of 1995 a new draft of the law on compensation for real estate nationalized in violation of the law after the year 1944, a resolution passed by the Sejm Privatization Committee, will of a certainty find no acceptance in the eyes of the former owners.

The greatest objection to the government proposals concerns the unequal extent of the compensation and their failure to provide for so-called restitution in kind. In my opinion, restitution in kind is the least costly form of reprivatization. It should be employed whenever possible, i.e., whenever it does not violate the ownership rights of third parties. If restitution in kind is not possible, the compensation should be in the form of substitute property or, as a last resort, in the form of reprivatization vouchers whose value would be indexed to the inflation rate. A crucial question is whether these vouchers are to have genuine purchasing power or whether they are to remain mere worthless papers.

On listening to the related discussion, chiefly in the Sejm, the impression arises that reprivatization is considered a necessary evil and hence it should be carried out at the least expense and to as limited an extent as possible.

Of course, when considering both the scope and the forms of the compensation we have to take into account the possibilities of the government. But in discussions of reprivatization the public is needlessly frightened by references to its huge cost, both social and material.

In most postsocialist countries one of the first issues to be resolved following the relinquishment of power by Communists has been the settlement of ownership problems through, among other things, reprivatization. This is favored by social and moral considerations, because the wrongs done have to be redressed. Moreover, reprivatization is a necessity under the new social system, because its implementation and the manner in which it is implemented are important to respect for ownership in this country. Reprivatization is also favored by economic considerations, for its absence slows down or even prevents the processes of privatization of state enterprises. The failure to resolve ownership issues is a major reason for the low attractiveness of investment in Poland to foreign companies.

Polish Privatization Lagging Compared to Czech

95EP0041A Krakow TYGODNIK MALOPOLSKA in Polish No 2, 12 Jan 95 pp 1-7

[Article by Marek Budzisz: "Privatization—A Reluctant Government"]

[FBIS translated text] In November 1994 the second stage of privatization in the Czech Republic was completed. This time stock in 861 companies worth 155 billion crowns was sold. This means a definite ending of the Czech voucher-based privatization. The operation was commenced in mid-1992, when shares in 1490 state enterprises were sold. The issue of privatization itself was resolved on the Vltava River even earlier. On the basis of the so-called restitution laws of 1990 and 1991, property was returned to legitimate owners, but this chiefly concerned minor nationalized assets. In such a situation the good humor of Prime Minister Klaus is not surprising. In the two and half years that have elapsed since the parliamentary elections, he has succeeded in not only holding on to his office but also translating into

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reality quite a few of his campaign promises. The popularity of Klaus's rightist ODS party is demonstrated by the results of recent local elections, which showed it to be the strongest Czech political party.

It was not without a reason that I started out by citing the Czechs as an example. Namely, at the end of last November (1994) and beginning of December there took place in Poland events which will probably prevent us from getting abreast of our southern neighbor.

The Sejm, through its leftist majority of PSL and SLD [Polish Peasant Party and Democratic Left Alliance] deputies, has rejected a draft reprivatization [restitution] law. Even earlier, [Prime Minister] Waldemar Pawlak decided against submitting a similar government draft to the Diet. This means that, during the term of office of the present parliament, reprivatization is not possible. This is not just an injustice but also a demonstration of elementary fecklessness. That is because privatization cannot be realistically speeded up unless the claims of former owners are settled. This has already been demonstrated by the unrest at the Luccini Steel Plant and the Wedel Chocolate Factory. That is a problem that has already been resolved by all the other countries of Central Europe, even by those whom we consider laggards at reforming.

On 30 November Waldemar Pawlak decided to place his signature on the list of enterprises in the so-called third section of the Mass Privatization Program. Prior to that, by intervening in the machinery for the elections of members of the supervising councils of the National Investment Funds, the prime minister delayed, in the opinion of experts, by half a year the implementation of this already quite tardy project. Still, Waldemar Pawlak found enough time for personal interviews with all the candidates for chairpersons of these councils and for shifting the composition of the nominees extensively.

It appears certain that, even if it is commenced at all—because experts have calculated that its launching will require many more (nine) signatures by Waldemar Pawlak—this program will not meet the expectations anyway. As for the privatization itself, owing to the efforts of Professor Kolodko it will be halted.

That is because Minister Kolodko is much more interested in the commercialization of state enterprises [their transfer to ownership by the State Treasury as the supposed first stage of their privatization] than in their privatization. Although both Professor Kolodko and his associates verbally argue that the transformations they propose are to accelerate privatization, many experts believe that their principal purpose is rather to streamline the management of the state sector. That is because plans exist for an automatic conversion of as many as 4,000 state enterprises to Treasury companies. But the problem is that under the binding provisions of the Commercial Law Code, within two weeks following their commercialization the boards of governors of insolvent companies are obligated to declare their bankruptcy. In face of this threat the analysts drafting the government program are proposing a "temporary" suspension of the applicable provisions of the Code.

But the nature of the problem does not consist in such essentially barbaric attempts to circumvent civil law. That is because the concept of the program for the commercialization of state enterprises basically reduces to enhancing the influence of the government administration on the decisions of the enterprises. Thus while state enterprises at present are enjoying relative independence vis a vis the government and hence also in political terms, under the new regulations that independence will be eliminated. That is because plans exist for altering the legal status of all state enterprises within six months. This means not only the elimination of their existing governing bodies but also the bestowal of new bylaws on the enterprises and their subordination to control by supervising councils two-thirds of whose membership are nominated by the government.

The privatization of such creations will be neither easier nor, the more so, likely—only one thing about this is certain: the ministries will be intervening more often in the operations of their subordinate enterprises. And that is not the only danger implicit in the program being drafted. After six months both so-called direct privatization and privatization through bankruptcy proceedings will no longer be possible. Yet so far these have been the most popular methods for privatizing state enterprises. An ironic fact is that actually the commercialization of state enterprises has taken place long ago, after they were exposed to the market economy.

The present government is exerting every effort to cancel the effects of the reforms undertaken several years ago. It is investing more effort in gaining administrative control over the economy than in supporting the positive trends observable. Instead of reducing public debt and the continuing substantial inflation, ministry experts are pondering how to design government-controlled holding companies and how to forgive the debts of factories which notoriously evade paying them.

But we should be aware that we are losing time and favorable opportunitie in a situation in which other countries of Central Europe are not hesitating. In the Czech Republic three private pension funds have already been licensed. Prime Minister Klaus reckons that in two or three years about 40 percent of the adult population will benefit from these funds. Judging from the results of Czech privatization, this scenario seems quite realistic. As for us, over the same period of time we are certain to continue debating whether private enterprise is basically superior to administrative fiats.

1994 Economic Statistics Summed Up, Analyzed

95EP0033B Warsaw ZYCIE GOSPODARCZE in Polish No 2, 8 Jan 95 p 11

[Article by Marek Misiak: "The First Summations"]

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[FBIS Translated Text] A growing amount of data on the economy and observations of the situation in the first two decades of December warrant envisaging that industrial output in 1994 will be about 12.5 percent higher than in 1993, which is undoubtedly a great success. Despite the much slower pace of construction and installation operations (about 2 percent, we anticipate) and the decline in farm output (by about 3.5 percent) the GDP in 1994 will be probably about 5 percent than in 1993 (officially it was assumed that it will be 4.5 percent higher).

Unemployment will presumably not exceed 16.2 percent (with the number of registered unemployed persons no higher than about 2.9 million), which of course is a considerable liability, but it is somewhat lower than officially envisaged (the Budget Law assumed 17.2-percent unemployment).

Inflation will be higher than officially envisaged: It was envisaged that between December 1993 and December 1994 prices will rise by about 23 percent and on the average in the year by about 27 percent. In November 1994 compared with December 1993 prices rose by 27.1 percent (in November 1994 compared with October 1994 they rose by 1.8 percent, although as late as in mid-November the Ministry of Finance had estimated that they would rise by 1.3 percent). In the first decade of December food prices increased by 1.4 percent and in the second decade, by 1.1 percent. Compared with like periods in November, these prices were 2.8 percent higher in the first decade of December and 3.2 percent in the second. Were alcohol, food products, and services in December to increase in price by not more than 1 percent compared with November, inflation in December would be about 2 percent, and in December 1994, compared with December 1993, retail prices would have climbed by 29.6 percent (averaging 32.4 percent for the year). But this estimate seems to me somewhat optimistic, because the rise in the retail prices of alcohol, food products, and services may have been somewhat greater than 1 percent, which would mean that inflation between one December and the next was about 30 percent, or averaged 32.5 percent for the year.

Wages in the private sector will be higher than officially envisaged, while in the state sector they may in the best case remain the same in real terms, though they may also decline somewhat in real terms; in some domains of the state sector less and in others more. Since in the preceding years real wages in the state sector have declined quite substantially, this is causing frustration.

Budget receipts will be markedly higher than assumed in the Budget Law, owing to a high pace of output and some improvement in the financial performance of the private sector. In contrast, budget expenditures will be presumably somewhat lower. In real terms the increase in budget receipts may prove close to that assumed in the Budget Law, and the increase in spending may be much lower. Budget deficit will prove much lower than assumed in the Budget Law.

As a result, the increase in the indebtedness of the state budget to the banks will also be somewhat lower than expected. However, money supply in nominal terms will be much greater, though in real terms it will be close to the officially assumed level, owing to the marked, greater than assumed, increase in net foreign accounts receivable. At the end of 1993 these revenues amounted to $8.8 billion (186.9 trillion zlotys[Z]), and at the end of November [1994], to $11.1 billion, or Z267.5 trillion). A year ago the National Bank of Poland had assumed that these revenues will total $7.8 billion (Z203.8 trillion) by the end of 1994. The higher figures are due to the much higher revenues from exports than anticipated, as well as to cross-border trade and money transfers. [table comparing 1993 and 1994 figures not reproduced here]

Agricultural Performance, Subsidization Reviewed

95EP0044A Warsaw POLITYKA in Polish No 4, 28 Jan 95 p 18

[Article by Michal Zielinski: "Pampered Agriculture: For Those Who Feed and Protect Us"]

[FBIS Translated Text] The cost of Polish farming is high and thus farmers have understandable problems in selling their produce and in addition meet with consumer resentment. At the same time, farming in Poland is subsidized proportionately more than in any other European country.

Farming accounts for 27 percent of total employment in Poland (see Table 1) and at the same time for nearly 9 percent of the GDP. Thus if we take agricultural productivity at 100, the productivity of the remaining national economy is 375. In other words, labor productivity in farming is about only one-fourth as high as in the other domains of the economy.

Table 1
Share of Farm and Nonfarm Sectors in Employment and GDP
Labor Productivity in Farm and Nonfarm Sectors

	Employment	GDP	Productivity
1. Nonfarm sectors	73 percent	91 percent	375
2. Farm sector	27 percent	9 percent	100

Source: 1993 Statistical Yearbook, p 111

The ratio of nonfarm to farm productivity (reckoned as above in the case of Poland) in the West is much lower, ranging from 140 percent for Denmark (a country with the most productive agriculture) to 187 and 255 in countries comparable with Poland such as Greece and Spain. From this ensue two conclusions: The first concerns the dilemma enunciated by Lech Walesa at his memorable televised meeting with the leaders of PSL and SLD [Polish Peasant Party and Democratic Left Alliance] parliamentary clubs, "A halved agriculture or a

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two-storey agriculture." In other words, is Polish agriculture too big and should be cut in half, or on the contrary, should it be expanded?

The other conclusion concerns farm subsidies.

A Halved Agriculture or a Two-Storey Agriculture?

This is hardly a debatable question. Productivity per hectare in Poland is on the average only one-half or one-third as high as in the countries of the European Community. This is not a stark difference in the sense that there no need to adopt a crash program for narrowing it. In the end, after the Communist waste of food by the state procurement and distribution apparat was eliminated, it turned out that actually we are producing food surpluses which the domestic market cannot absorb. But we cannot either export these surpluses, because we are producing food at higher prices than those obtaining on the world market. Hence, an expansion of exports would require subsidies, meaning that the Polish taxpayer would have to pay for the sausage consumed by Schmidt or Ivanov. I fear that our taxpayer cannot afford it.

This high production cost ensues from the abovementioned low labor productivity. In this respect our results are 10-15 times lower than those attained by the countries of the European Union. And hence—speaking in general because, of course, there may be exceptions such as profitable "two-storey" mushroom farms—there is no choice. Growth must take place through a reduction of Polish agriculture, that is, eliminating the worst-performing farms, those with the lowest labor productivity, just like in industry, trade, or services, where the least efficient entrepreneurs get eliminated. Economic laws provide no rationale for treating agriculture differently.

The Bad Balcerowicz and the Good Peasant

The issue of farm subsidies is roiled by a strange confusion of propaganda with economic truth. PSL activists are able to stand before a television camera and, with a straight face, without batting an eyelash, declare that agriculture in the West is subsidized while in Poland Leszek Balcerowicz's vulgar [shock-therapy] monetarism has made the peasant even more indigent than did the Nazi occupier. I do not know whether they are saying this with a tongue in cheek, deliberately lying, or simply demonstrating their ignorance. It may be that the prime minister [Pawlak, a PSL member], being so young and inexperienced, believes this balderdash. But his advisers are perfectly aware that Polish farming is proportionately the most subsidized farming in Europe.

This can be proved in two ways:

—The first proof is obtained by meticulously calculating and adding up all the subsidies, grants, and tax relief from which agriculture is benefiting. This is laborious, so I shall mention here only the two biggest forms of farm assistance.

Taxes: This year the nonfarm population will pay 223 trillion old zlotys [Z] in income taxes, while the farm population will pay only about Z2.5 trillion in farm taxes. It is thus readily reckoned that the per capita tax burden of nonfarm population is about 25 times as high. I do not know whether this is consonant with the Constitutional principle of equal treatment of citizens, but I think not; however, let that problem be the worry of the [constitutional expert] Professor Tadeusz Zielinski.

The other major form of farm assistance is the pension and annuity subsidies for farmers, which this year will total 63.5 trillion old zlotys. This "trifling" sum is more than one and one-half times as high as the spending on defense, two and one-half times as high as the spending on law and order, and six times as high as the total expenditures on Polish science.

—The second form of assessing the scale of overall farm subsidies is much simpler. Farm output per person is about only one-fourth the output of the nonfarm sectors per employee. Such is the contribution of farmers to generated national income. But how much is distributed to them from that income? The fact that consumption in farm families is smaller than in worker families is generally known. But does this means that farmers consume only one-third or one-fourth as much as workers? That would be so were the pure laws of the market in operation and were the principle of social justice, defined by Hayek as "commutative justice," reducing to the simple rule, "to each according to his output," to apply.

But that is not so. Studies of family budgets (see Table 2) indicate that in 1993 spending per farm family member was only 10 percent lower than per worker family member. To put it plainly, the Polish farmer produces 275 percent less but consumes only 10 percent less than the Polish worker. This difference is reflected in the scale of overall farm subsidies, which can be roughly estimated at 10-15 percent of the GDP.

Monthly Spending by Worker and Farmer Populations per Person (in old zlotys) in 1993

Workers	Farmers	Percent
Z1,680,000	Z1,515,000	90

Source: BIULETYN STATYSTYCZNY GUS, No 11, 1994, Table 49

Thus Far and No Further, Considering Europe

PSL politicians may deny that Polish farming is most likely subsidized, in proportion, to a greater extent than farming in any other European country, but there still are a few people, in West Europe as well, who will not be satisfied by such declarations and instead will get a pencil and rapidly perform on the blank margin of a

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handy newspaper calculations similar to the above. And once they add up the figures, they will not let the organism of the European Union be joined to an agriculture that is gulping so much from the budgetary faucet. That is because within the European Union there are enough problems with eliminating farm subsidies and enough protests by farmers in the Union's various countries against "the flood of cheap food imports."

The second conclusion is simple.

As regards farm subsidies, we have reached the limit. Nothing more can be squeezed from the budget without harming the economy and public services. Here objections that food is a strategic commodity will not help, because that is not true. Here orating that farming has a specificity of its own, because it is a production sector just like mining, or the manufacture of bicycles or teaspoons, will not help. In every such case the computable expenditure of labor and materials can be compared to its equally computable effect in the form of the product.

It is no use to grumble that farming is underinvested, because there are simply no more budget funds available, nor will there be any. And anyway, in terms of tractive power, that is, of tractors and horses per hectare Polish farms are not any less equipped than German ones.

What is then to be done? Nobody who is sound of mind would demand the total cessation of farm subsidies. Farming needs assistance. But that assistance cannot be increased. Moreover, it must be made contingent on one simple condition. Subsidies should be granted when actually and not just declaratively needed for farm restructuring. Thus, they should be granted to the best-performing farms so as to accelerate their growth. If they are to be granted "ravno pa vsem," as the Russians say, meaning equally to everyone, they will be largely wasted. It would be even worse if—and PSL politicians, being concerned for their electorate, are prone to such solutions—farm subsidies were to be of an exclusively social nature, that is, be chiefly channeled to the worst-performing farms in order to eliminate excessive differences in incomes and provide equal opportunities for growth to all farms.

Should that happen, soon the average town dweller will, after paying an income tax of as much as 70 percent, be buying sausage for $20 per kilogram, that is, if he can afford it.

Is that an exaggeration? Perhaps just a little, not much.

Ecology International Cooperation Results Reported

945P0049A Warsaw PRZEGLAD RZADOWY in Polish No 12, 1 Dec 94 pp 65-69

[Report prepared by the Department of Foreign Cooperation in the Ministry of Environmental Protection, September 1994]

[FBIS Translated Text] In the last few years Poland's international cooperation in the field of ecology has become markedly stronger. Our country had to respond to the challenges of the socioeconomic growth of the modern world, among which environmental protection occupies a most important place.

* * *

The growth of perils to existence is often due to ecological factors. The state of the environment and its anticipated improvement are decisive to the possibilities for improving human life from both regional and global as well as societal standpoints.

The relationship between ecology and politics and economics has been prompting increased interest in problems of environmental protection among the world political and economic centers.

Poland is among the countries which have decided to attend to ecological development. The Polish Ministry of Environmental Protection, Natural Resources, and Forestry (MOSZNiL) is concerned with both the protection of nature, air, soils, and waters, and forest management and natural resources. It has spurred and developed (beginning in 1990) international cooperation with foreign partners in the domain of ecology, and especially with the corresponding ministries of the European countries and the United States, as well as with the international organizations dealing with environmental protection, such as the UNEP, the European Economic Commission in concert with the United Nations, and also the UNDP, the FAO, the WHO, the Council of Europe, the European Union, the OECD, the INTEROCEANMETAL, and financial institutions (World Bank, the EBRD, the EIB, the NEFCO).

In its international cooperation the ministry focuses chiefly on the problems in which foreign partners have the greatest experience and present the most interesting proposals. The aim of the ministry is for the discrete elements of international cooperation to be mutually complementary from the standpoint of ecological benefits to Poland.

Ongoing and active cooperation is underway with 21 European countries and the United States. Cooperation with 17 counterpart ministries is based on concluded bilateral agreements.

The national ecological policy developed by the MOSZNiL and confirmed by the Sejm in 1991, presupposes a foreign cooperation focusing on:

—Broadening of ecological knowledge and acquisition of experience in pursuing ecological policy.

—Encouraging foreign capital to join in the solution of ecological problems in Poland.

—Developing cooperation with neighboring countries, with the object of reducing mutual ecological dangers.

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—Intensifying regional cooperation.

—Active participation of Poland in the implementation of regional, European, and global processes forming the new ecological order.

Accomplishing the objectives of the national ecological policy, the ministry has adopted the following directions of action as regards international cooperation.

Multilateral Cooperation

Multilateral cooperation is concentrated chiefly on an active participation of Polish representatives in implementing the program objectives of the international organizations of which Poland is a member (they are the United Nations, the Council of Europe, the Central European Initiative) as well as of other significant organizations and institutions on the European arena (the European Union, the OECD, the INTEROCEANMETAL, and international financial institutions).

On the one hand, as a result, this is reinforcing Poland's credibility and strengthening its active role in the creation of an ecological order in Europe and the world. On the other, international cooperation is an opportunity for presenting the goals and priorities of Polish ecological policy and, more importantly, the status of their implementation during the difficult period of [transition to a freer system of society]. Creating a positive image of advancement of the integration of ecological with economic factors in Poland is a first step in obtaining the technical and financial resources for achieving the most difficult and urgent objectives.

When implementing measures to improve the environment, allowance must be made for two factors: The current extent of environmental pollution and the prevention of future pollution. Hence, the next strategic purpose of action is concern for Poland's interests and for protecting them in the multilateral agreements adopted on the international forum as well as in the decisions taken by international organizations and institutions.

When implementing Poland's international obligations, the principal planks of the programs for translating into reality the recommendations contained in the already adopted agreements include:

—Accomplishment of objectives of international significance ensuing from the Convention on Water and Marsh Areas, especially as regards the life environment of water birds (Ramsar Convention of 1971).

—Implementation of the provisions of the Convention on International Trade in Game Animals and Plants of Species Threatened by Extinction (Washington Convention of 1973).

—Work on implementing the obligations to restrict cross-border air pollution (Geneva Convention of 1979) and the Geneva Protocol on Funding the Program for Monitoring Air Pollution (EMEP).

—Work on programs for protecting the ozone layer, as ensuing from the 1985 Vienna Conference on Protecting the Ozone Layer (ratified by Poland in 1990), and on Restricting the Production of Substances Depleting the Ozone Layer (Montreal Protocol of 1987).

—Implementation of the provisions of the Second Sulfur Protocol (signed in July 1994 in Oslo) on Restricting Atmospheric Emissions of Sulfur Dioxide.

Currently work is underway on drafting the documents for:

—Joining the Bonn Convention of 1979 on Protecting Migratory Animal Species.

—Joining the Berne Convention of 1979 on Protecting European Animal Species and their Environment.

—Preparing a program for restricting the emission of volatile organic compounds (VOC) and joining the Protocol on Restricting VOC Emissions under the Geneva Convention.

—Drafting a proposal to ratify the Sofia Protocol on Restricting the Emissions of Nitrogen Oxides, signed by Poland in 1988.

—Continuing the work to ratify and implement the decisions of the Convention on Appraising Environmental Effects in the Cross-Border Context (1991 Espoo Convention).

—Drafting a proposal to ratify the Convention on Cross-Border Effects of Industrial Plant Breakdowns, signed in Helsinki in 1992.

—Implementing the objectives of the Convention on the Protection and Utilization of Border Waters and International Lakes, signed in Helsinki in 1992, and preparing the related ratification proposal.

—Protecting the marine environment of the Baltic and ratifying the Helsinki Conference whose amended version was signed in 1992.

—Ratifying the Convention on Biological Diversity signed in Rio de Janeiro in 1992.

—Ratifying the London and Copenhagen Amendments to the Montreal Protocol, which took effect in 1992.

—Intensifying the work on the Convention on Civil Responsibility for Damages Caused by Environmentally Unsafe Activities, being prepared under the auspices of the Council of Europe.

—Commencing the analysis and joining in the work on the Convention for Desertification Control, being prepared under United Nations auspices.

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An important direction of action is determining the priorities regarding cooperation with international and regional environmental and financial institutions. This cooperation comprises, among other things:

—United Nations organizations, i.e., the UN-European Economic Commission, the UNEP, the UNDP, the WHO, the WMO, the UNDRO, the UNIDO, etc., through active participation in the scheduled activities of these organizations.

—European Union, through cooperation in creating regional and sector programs for environmental protection as well as in providing technical and financial assistance, particularly as regards coordinating legislation.

—Council of Europe, through joining the European protected areas under the European campaign for environmental protection in 1995, participating in many Specialist Groups, and utilizing the accomplishments of the Council of Europe (conventions and recommendations).

—Organization for Economic Cooperation and Development (OECD), through participation in the work of the Center for Cooperation with Countries in Times of Change (especially as regards the Environmental Performance Review) and in other scheduled activities of the OECD's Environmental Secretariat.

—International financial institutions (cooperation with the World Bank, the European Investment Bank, and other expected grant donors, serving to promote the application of the Government "1993-1997 Program for the Development of Selected Domains of Forestry and the Protection of Ecosystems in National Parks."

The historic June 1992 "Environment and Development" United Nations Conference in Rio placed the UN member countries under the obligation of implementing the "Agenda 21" program document, which defines a program for meshing environmental requirements with the developmental processes of countries for the coming centuries.

Another important event whose results may affect measures for environmental protection in the coming years has been the Pan-European "Environment for Europe" Conference of Environmental Protection Ministers which took place in Switzerland in April 1993. Its principal purpose was to prepare a long range program for the protection of the environment and nature in Europe, as well as a program for urgent measures to protect the environment in Central Europe. The ministers issued a declaration defining the framework of further measures, leading to the next conference in 1995, to be held in Sofia.

In the context of the post-Rio and post-Lucerne process, taking into consideration Poland's acceptance of such documents as "Agenda 21" and "Environmental Action Programme for CEE," as well as domestic programs ("Poland's Ecological Policy"), work on setting up the Government Commission for Ecodevelopment is underway at the MOSZNiL. The purpose of that commission will be to work out a national program for coordinating environmental protection measures and meshing ecological factors with national economic policy. The formation of such a body would also have broad international reverberations since that would be implementing the decisions of the conferences in Rio de Janeiro and Lucerne. The commission's activities would assist in drafting the "Program for Urgent Measures for Environmental Protection in Poland," which would specify in detail the objectives ensuing from the provisions of the conferences in Rio de Janeiro and Lucerne, as closely correlated with the provisions of "Poland's Ecological Policy."

Also important is regular cooperation with individual European countries and international organizations, as defined in 10 program resolutions adopted at ministerial conferences on forest protection (Strasbourg 1991, Helsinki 1993), with the object of promoting efforts serving to protect the forests, preserve their biodiversity and genetic values, and maintain their influence on improvements in the condition of the environment.

In addition to its participation in global-scale measures, Poland is taking an active part in the work on environmental protection on the regional level. The regions concerned are:

—The Baltic Sea.

—"The Green Lungs of Europe."

—East Carpathians, Karkonosze [the highest mountain range in the Polish and Czech Sudetens], and Lower Odra River.

—"The Black Triangle [adjoining regions of Poland, the Czech Republic and Germany that are polluted by brown coal burning]."

—Upper Silesia under the "Silesia-Ostrava" Program.

A prerequisite for a more effective environmental protection is broad international cooperation, which is the foundation for receiving significant outside aid. But even so we should be aware that the financial brunt of the of the programs for improving environmental protection, both in Poland and in other Central European countries, will be borne by these countries themselves.

In this context, special importance is being acquired by the need to make the international community aware of the fact that in Poland only limited funds can be allocated for solving the most urgent [environmental] problems and that the reduction in the extent of environmental pollution in this country is due not only to the recession but also to investments and the operation of the ecological law.

Cooperation with Neighboring Countries

Bilateral cooperation with neighboring countries remains a priority of the activities of the MOSZNiL's Department for Foreign Cooperation.

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Germany:

The negotiation and signing of the new bilateral agreement which should assure Poland's ecological security on its western border was one of the most important factors in cooperation with Germany in 1994. Efforts are being made to get Germany committed to a greater extent in the processes of improving environmental conditions in Poland through, among other things, improvements in the environmental protection of areas of the eastern German "Lander," especially in the south, as well as through:

—Greater commitment of funding.

—Increased technological assistance.

—Obtaining consent to ecoconversion, i.e., to a 10-percent reduction in Poland's debt to the FRG and the granting of corresponding aid funds for the objectives of the Polish EcoFund.

Work relating to the 1992 agreement on cooperation in water management on cross-border waters is being continued. Working groups for such cooperation are active. The Polish-German Council for Environmental Protection, established in 1991, is likewise continuing its work to further elaborate agreed-upon strategies of regional and international environmental protection policies. It plays a principal role in initiating and coordinating bilateral cooperation.

Working groups implementing proecological investments in Poland are active: The construction of a sewage treatment plant for the Polish Swinoujscie and several German municipalities has been commenced; work is underway to provide heating for Gliwice and to install a facility for desulfurizing combustion gases at the Siersza Power Plant. In addition, there are the activities in behalf of ecological education, prevention of imports of undesirable wastes into Poland, and bilateral application of two EKG (European Economic Commission) conventions (signed but not yet ratified) on cross-border effects of industrial plant breakdowns and on the evaluation of environmental consequences in a cross-border context. Environmental protection measures are being promoted in border areas (Lower Odra Park, Bad Muskau-Leknica Nature Park, Swibno Nature Reservation). Talks were initiated concerning joint investments in sewage treatment plants in the Gubin-Guben and Hohenwutzen-Osinow Valley areas, and the construction of a plant in Piensk for the treatment of wastes from German communities has been completed.

The Czech Republic:

Bilateral cooperation with the Czech Republic is underway as regards cross-border water management under the agreement concluded between Poland and the former Czechoslovakia in 1958. There exists a similar agreement as regards preventing air pollution, signed in 1974, but since 1990 it has hardly been carried out.

In August 1993 the Polish side presented the draft of an agreement for cooperation in environmental protection between the Polish and Czech governments. The Czech side declared its readiness to start negotiations on that agreement. The Czech Ministry of the Environment is still consulting its fellow ministries concerning that draft.

Cooperation in implementing the "Black Triangle" and "Silesia-Ostrava" regional programs is being continued, as is close cooperation for the "Karkonosze" International Biosphere Reservation.

The Slovak Republic:

Bilateral cooperation on the basis of agreements with the former Czechoslovakia is being continued. In August 1994 a negotiated bilateral Polish-Slovak agreement on environmental cooperation was signed. Likewise, close cooperation on the "Tatra" International Biosphere Reservation is underway.

The Lithuanian Republic:

Bilateral cooperation is conducted on the basis of the following international agreements on:

—Cooperation in Environmental Protection (concluded 24 January 1992).

—Cooperation in Geology (12 March 1992).

—Cooperation in Forestry (30 March 1994).

The existing good cooperation will be continued and expanded through scientific and technical cooperation in selected domains of environmental protection, especially the following:

—Environmental monitoring.

—Legal and economic aspects of ecological policy, chiefly with respect to restructuring the system of environmental management and adapting it to the requirements of the market economy.

—Agreements on the siting of border facilities that may affect cross-border environmental pollution.

—Geology.

—Protection of rare plant and animal species, management of nature reservations.

—Silviculture.

—Control of forest damages.

The visit paid by MOSZNiL Minister S. Zelichowski to Lithuania in April 1994 was significant from the standpoint of cooperation.

The Russian Federation:

Cooperation in environmental protection proceeds on two tracks, on the basis of the Agreement of 25 August 1993 Between the Government of the Republic of

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Poland and the Government of the Russian Federation for Cooperation in Environmental Protection and the Agreement Between the Government of the Republic of Poland and the Government of 22 May 1992 the Russian Federation on Cooperation Between the Northeastern Voivodships of the Republic of Poland and the Kalinin Oblast of the Russian Federation.

The first Session of the Mixed Commission for Environmental Protection (established by the Agreement of 25 August 1993) was scheduled for the second half of October 1994.

The provisions of the Polish-Russian Agreement on Cooperation in Cross-Border Water Management are about to be conclusively settled.

The Republic of Belarus:

It is necessary to energize cooperation in environmental protection under the interministry agreement of 1992. Despite the existence of that agreement contacts have been sporadic and concerned subjects in which the Belarus side was mainly interested, i.e., the organization of national parks and the prevention of illegal cross-border movement of dangerous wastes. In that last matter an interministry agreement was reached.

The issue most important to us, namely, water management on cross-border waters has not met with a response for one and one-half years from the Belarus side. It was only recently that the Belarus side declared that even before 1994 is over it would invite Polish experts on water management. It attributed its previous lack of interest in cross-border waters to the status of its environmental protection ministry (committee). The recent establishment of such a ministry served to change its position.

The talks between the Polish and Belarus ministers of environmental protection during the inauguration of the Biebrza National Park and the resulting decisions should intensify bilateral cooperation.

Ukraine:

Cooperation so far with Ukraine is viewed positively. On 25 January 1994, during a visit to Warsaw by Ukrainian Minister for the Protection of Natural Environment Yuriy Kostenko, the two ministers signed a Polish-Ukrainian agreement on environmental protection. They also signed the Agreement on the Handling of Dangerous Wastes.

As established under the above agreement, the Joint Commission for Cooperation in Environmental Protection held its first session in Kiev on 6-8 July 1994. At that session Ministers S. Zelichowski and Yu. Kostenko adopted the bylaws of the Joint Commission, appointed its working groups, and approved its plan of activities.

During his stay in Kiev Minister S. Zelichowski signed jointly with Ukrainian Minister of Forestry V. Samoplavskiy a declaration of intent for Polish-Ukrainian cooperation in the field of forestry.

The provisions of the Polish-Ukrainian agreement on cooperation in cross-border water management are about to be finalized.

Estonia and Latvia:

The environmental protection ministries of Estonia and Latvia have proposed establishing cooperation. We accepted the proposal and offered to sign a framework agreement. Interministry consultations on the draft of that agreement are currently underway.

Bilateral Cooperation With Other Countries

The Ministry of Environmental Protection, Natural Resources, and Forestry is also engaging in bilateral cooperation with other countries, among which the following groups may be isolated as regards intensity of contacts and commitment:

Countries With Which Cooperation Is Effectively Developing:

This group is headed by the United States of America. Scientific exchange and transfers of modern technologies and environmental management methods are being continued. We endeavor to maintain intensive bilateral contacts and hope to extend the agreement whose reconciled text is to be found at the United States EPA. We intend to augment the presence of American companies in the implementation of environmental protection programs in Poland and to expand the influx of knowledge from various domains affecting environmental conditions in Poland.

Scandinavian Countries:

They are among our priorities, especially considering that Sweden, Denmark, and Norway have granted funds for, principally, the application of modern technologies.

It should also be emphasized that under the updated 1992 Helsinki Convention on Protecting the Marine Environment of the Baltic Sea we have become more than ever committed to implementing the regional program for protecting the Baltic, jointly with our Baltic partners. Bilateral cooperation with Finland, Denmark, and Sweden has become energized and is developing very effectively.

The Netherlands and Belgium:

They are among the countries with which Poland engages in advanced bilateral cooperation, intensified late in 1992 and early in 1993. This cooperation was ordered by focusing it on problems ensuing from the national ecological policy with regard to both investment projects and scientific and technical cooperation.

During their stay in the Netherlands on 19-21 January 1994 a delegation from the MOSZNiL signed a plan for cooperation during 1994-95. And on 22 February 1994

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in Warsaw was signed an agreement for cooperation in forestry and protection of nature, along with a plan for cooperation in 1994-95.

France:

It is in the group of countries that show growing readiness for cooperation. The principal and advanced elements of that cooperation concern water management. Objectives ensuing from the decisions o environmental protection ministers taken in December 1992 in Warsaw are being implemented, especially those concerning the education of Polish experts (in addition to the training in water management that has already been underway for a number of years) in such fields as nature protection and forestry (including forest management and protection).

Austria:

Cooperation with Austria has recently become stronger. The detailed plan for cooperation in 1994-95 offers hope for a more effective cooperation than in the past. The appointed working groups are already operating within their scope of activities.

Canada:

During the official visit of Polish President Lech Walesa to Canada in September 1994 a cooperation agreement was signed by the MOSZNiL minister and Canadian ministers of environment and industry. The agreement affords the possibility of an effective bilateral cooperation, especially as regards environmental protection equipment and technologies. Canadian ecological investments in Poland are expected.

Debate Smolders Over Drug Law

95EP0043A Warsaw THE WARSAW VOICE in English No 2, 13 Jan 95 p 9

[Interview with Mikolaj Kozakiewicz, former Sejm speaker, by Helen Hughes; place and date not given: "Liberal Drug Laws Can Reduce Social Damage"]

[FBIS Transcribed Text] [Hughes] Though Poland has had liberal drug laws since 1985, drug use only increased after the fall of communism. The law has since been made more restrictive. What does your open letter to parliament propose?

[Kozakiewicz] I'm demanding the legalization of soft drug consumption. In this sense one doesn't evaluate the user as a criminal but as an ill person. Ill people should be cured, not imprisoned.

As a consequence of such an antiprohibition policy, the state would take over production and distribution of necessary drugs to addicts. For instance, in Liverpool, they are distributing drugs free of charge. I'm not so generous as to hand them out for free, but I am suggesting selling drugs—and also proposing cures—more cheaply than on the black market. I'm aiming at narrowing the market and the profits that the mafia makes because of the unfortunate lot of the drug addict.

[Hughes] Since your address coincided with parliamentary recess, maybe it didn't receive the attention one might expect. Do you anticipate a delayed parliamentary and public reaction to the issue?

[Kozakiewicz] ZYCIE WARSZASY recently cited a speech by Krystyna Sienkiewicz (a parliament deputy from the Union of Labor). She previously favored punishing people for possession and consumption of drugs. But now she's changed her mind. She opposes this restrictive measure. She feels that users shouldn't be punished by legal and criminal measures for possessing drugs. Only—and she's citing me, according to my proposal—people who sell, distribute and produce drugs illegally (should be punished). So this is directly influenced by my letter.

Frankly, I'm not very optimistic, because Poland has proven itself to be a very restrictive country where everything is punished. Contraception is punished and abortion is punished. They limit the law for divorce, and so on. All tendencies are in the direction of restriction of freedom, and they regard punishment as the most efficient method.

So there's probably very little chance that my proposal will be passed. But maybe I'll succeed in changing some minds. Some doubts about the present prohibitionist policy will arise and may make for more flexibility in the law. Maybe it won't be as restrictive as planned.

[Hughes] Soft drugs have been legalized in the Netherlands, but many drug-related problems still remain, though they are mostly attributed to hard drugs, which are still illegal. You don't believe the Netherlands' experience makes legalization ineffective?

[Kozakiewicz] Hard drugs will always be here, which is why I'm proposing that the state fund drugs for addicts based on prescriptions from doctors who will be protecting and healing them. That will make the drug trade less profitable. Prices will be much lower with official distribution. Of course, I'm not only thinking in political and economic terms. It's important at the same time to campaign extensively against drugs. Education and information. At the moment we have no money for this. If they sell and distribute drugs to addicts at a moderate price, they will receive money just as they do for alcohol and cigarettes.

I'm not so naive as to think that an anti-prohibitionist policy won't cause problems in other ways, won't cause other dangers. But complete prohibition will cause the biggest damage and increase the number of victims.

[Hughes] Current drug laws limit the police's ability to apprehend dealers and traffickers: they have to catch

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them red-handed. Would legalization of soft drugs still necessitate an extension of police power, especially when it comes to provocation?

[Kozakiewicz] The police are demanding special authorization to organize provocations, to offer to sell drugs to people and then arrest them. They are asking for the right to access bank accounts to see who has illegal money and where it's from. They are also asking to listen in on telephone conversations. I ask, where is this leading? To a police dictatorship. I'm saying it erodes our democracy, our very weak and new democracy. Therefore, I'm against all of these special privileges for the police.

Police also don't have the staff or finances to follow up all cases, so they follow up only on chosen ones. What will their basis be for selection? Maybe it will only be political enemies of the government, or those who have an undesirable political orientation. This misuse of law is extremely dangerous and I'm concerned about it.

[Hughes] Do you believe legalization will diminish the young people's attraction to soft drugs and perhaps lead to a decrease in the number of young hashish and marijuana smokers?

[Kozakiewicz] The youth are already smoking. To me, what's most important is that you recognize official tolerance—to say, "It's not legal, but will be tolerated." Otherwise you'll marginalize and criminalize hundreds of thousands of young people because of something which isn't really a drug—you don't get marijuana addicts. It isn't true that marijuana, as some people say, necessarily leads to heavy mental disorders or automatic reliance on harder drugs. I know plenty of people in Poland who smoke marijuana.

Drugs will become an increasing problem, like alcohol. But you can imagine how it is in the United States. Three thousand people die from heroin overdoses every year; 100,000 die because of alcohol, and 300,000 because of cigarettes. The social damage and dangers are quite different, but we have this ironic situation: Drugs are forbidden, but alcohol and cigarettes are legally available.

[Box, p 9]

The Polish parliament will shortly decide whether drug possession could lead to prosecution. It is likely that two government-sponsored draft bills will be debated in parliament by the end of this month.

A third draft bill, known as the "social" bill, has been prepared by a group of doctors, psychologists, sociologists and has already been presented to parliament. It is being discussed in the legal department and will be used to provide additional help in work on the government drafts.

Up to now drug possession has not been illegal. Only selling drugs could lead to prosecution.

The Ministry of Health's draft bill and the "social" draft envisage prosecution for the possession of drugs, whether soft or hard. However, the inter-ministerial draft prepared by a special team working with the Council of Ministers' Office (URM) allows for the possession of small quantities of soft drugs (marijuana and hashish) though the actual amount has not yet been specified. The inter-ministerial team led by Wlodzimierz Cimoszewicz, the minister of justice, also recommends permitting the possession of a small quantity of kompot, an impure form of heroin made from poppy stems. This is used mostly by long-term addicts.

The inter-ministerial draft envisages penalizing the possession of other drugs with up to three years' imprisonment. A fine, community service or a year's probation is planned for small quantities. If the accused agrees to undergo rehabilitation, the court could decide not to impose any penalty. According to Witold Wieniawski, chairman of the Polish Pharmaceutical Association and member of both teams working on the government draft bills, the inter-ministerial draft puts the emphasis mainly on prosecuting drug dealers.

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Decision on Coordination of Economic Assistance

94BA0356A Bucharest MONITORUL OFICIAL in Romanian 21 Jun 94 pp 2-3

[Text of "Decision Concerning the Coordination of Nonrepayable Economic Assistance Granted to Romania by the Member Countries of the Group of 24"]

[FBIS Translated Text]

Decisions of the Government of Romania *Government of Romania decision concerning the coordination of nonrepayable economic assistance granted to Romania by the member countries of the Group of 24*

The Government of Romania determines:

Article 1—The objective of nonrepayable economic assistance is to support the process of economic and social reform, as well as the building of democracy and civil society in Romania, in accordance with the decision to integrate into the world economy and into European structures.

Nonrepayable economic assistance is to be utilized in strict correlation with the priorities of the objective mentioned in Paragraph 1, as well as with the eligibility criteria of the projects, in keeping with the framework accords and general and special conditions agreed upon with the donors.

Article 2—As understood in the present decision, the donors are the governments of the member-states of the Group of 24 and the international financial institutions.

Article 3—Coordination of the nonrepayable economic assistance is to be effected by the Department for European Integration, through the Division of Financial Cooperation and Economic Assistance, which has the following responsibilities:

a) scheduling the assistance, through the drawing up of guiding programs and the establishing of priorities together with the donors and the representatives of the Council for Economic Coordination, Strategy, and Reform, in accord with the Government's strategy for economic and social reform and on the basis of applications received from the beneficiary institutions and organizations;

b) cooperating—along with the authorized governmental authorities—with the structures of the donor countries in matters concerning eligibility for and financing of projects and oversight of the spending of funds;

c) cooperating with the beneficiary institutions with a view to eliminating obstructions, duplications of effort, and parallel efforts, and to ensuring convergence with the government's strategy in developing the projects;

d) working out and running the system for monitoring and assessing the assistance programs as regards their impact on the reform process;

e) scheduling and reviewing the use of quid pro quo funds, in collaboration with the authorized governmental authorities, in keeping with the principles for their utilization stipulated in the financing accords entered into with the donors;

f) participating in the meetings of the Group of 24 for Romania;

g) preparing half-yearly progress reports on the assistance programs.

Article 4—With the aim of accomplishing the objectives and fulfilling the responsibilities stated in Articles 1 and 3, the Division of Financial Cooperation and Economic Assistance will supplement its personnel with the positions stipulated in the Appendix. Supplementing the present number of positions in the Division of Financial Cooperation and Economic Assistance from within the Department for European Integration will be effected by including that number in the number of positions previously approved through the decision of the prime minister, at the department level or at the level of the sections that constitute the prime minister's working staff, so as not to exceed the average annual number proposed for financing at the government level.

Project management units will be formed under the auspices of the governmental authorities that are beneficiaries of assistance programs, without affecting the approved number of personnel or the financial resources.

The project management units stipulated in Paragraph 2 will operate under the auspices of the departments or sections that have responsibilities in the sphere of reform.

Nongovernmental organizations that benefit by and/or manage nonrepayable economic assistance programs are to have the obligation of forming their own project management units.

The employees of project management units other than those mentioned in Paragraph 2 can be selected and remunerated from the budgets of the projects, according to uniform procedures agreed on by the Department for European Integration, the donor, and the beneficiary.

Article 5—In order to fulfil the responsibilities stipulated in Article 3, the Department for European Integration will collaborate on a permanent basis with the project management units, which are to send it project proposals and progress reports on the assistance programs.

Article 6—The mandate on the basis of which the Department for European Integration negotiates the priorities and structures of the assistance programs with the donors comes under, to begin with, the advisement of the Interministerial Committee, along with the Council for Economic Coordination, Strategy, and Reform and the president of the council.

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The drafts of guiding programs resulting from negotiations with the donors, and the reports reviewed by the Interministerial Committee and by the president of the council, are to be submitted to the government for approval.

The Interministerial Committee's own operating regulations, adopted on the basis of Government Decision No. 706/1993, will be modified to include the provisions resulting from the present decision.

In order to ensure operational efficiency, the Secretariat for Nonrepayable Economic Assistance of the Interministerial Committee will be provided for by the Division of Financial Cooperation and Economic Assistance under the auspices of the Department for European Integration.

Article 7—The development of nonrepayable economic assistance projects is to be carried out in keeping with the existing accords between the Government of Romania and the donor governments, and with the general procedures and the specific contractual obligations with respect to the management and oversight of funds utilization.

[signed] for Prime Minister: Teodor Viorel Melescanu, Minister of State, Minister of Foreign Affairs

Countersigned by: Mircea Coseam Minister of State, President of the Council for Economic Coordination, Strategy, and Reform; Dan Mogos, State Secretary, for Minister of State and Minister of Finance; Napoleon Pop, State Secretary in the Department for European Integration

Bucharest, 8 June 1994

No. 260

APPENDIX

Structure of the Positions

—Division of Financial Cooperation and Economic Assistance: Director, 1; Sector chief, 2; Secretary/typist, 1.

—Bilateral Economic Assistance Sector: Governmental experts, 6; Reviewer, 1.

—Multilateral Economic Assistance Sector: Governmental experts, 6; Reviewer, 1.

Activity of Military Mapping Unit Viewed

95BA0047A Bucharest AZI in Romanian 15 Nov 94 pp 12-13

[Interview with Major General Marian Rotaru, chief of the Military Topographical Directorate, by Silviu Cretu; place not given]

[FBIS Translated Text] The day of 12 November 1994 marked 135 years since establishment of the Romanian Military Topographical Service. This anniversary was the occasion for an interview with Major General Marian Rotaru, head of the Military Topographical Directorate.

[Cretu] General, I would ask that you start with a short history of Romanian military topography.

[Rotaru] On the order of Lord Alexandru Ioan Cuza, some 135 years ago the Army General Staff was established, with the second section of this body being the Romanian Military Topographical Service. From the start this service was staffed with well-trained men from the first series of officers of Tara Romaneasca. Later they become very valuable specialists who at one time comprised part of the Army command corps, leading its destiny. I am referring to George Slaniceanu, Constantin Barozzi, Nicolae Dona, Iacob Lahovari, Constantin Benaru and so forth. Of course, a number of changes occurred through the years, in the sense that many organizational forms and activities were tried. For several years this service even took over the duties of the General Staff, with the leadership being provided by Constantin Barozzi. As I said, he was a career military man but also a special man of science and a member of the Romanian Academy.

As a first performance, we must recall that during the War of Independence in 1877-78 each Romanian Army officer was provided a map of the battle zone, which was a true world first and an event also mentioned in the press of that day. The Military Topographical Service continued to develop and in 1895 changed its title to the Army Technological Institute. In 1899, with this title, it participated in the Paris World Exposition, with notable results. In 1980, the Army Technological Institute became the Army Geographical Service and changed its direction, in the sense that there was much greater emphasis on military concerns. Also, of the 60 million lei in gold that Romania received following World War I, 10 percent went to the Army Geographical Service as recognition for its decisive role during the war.

The interwar period was very prosperous and was characterized by the orientation toward science and scientific research. In the 1930s the Army Geographical Service became the Military Geographical Institute, headed by extremely competent officers such as, for example, Rear Admiral Corneliu Buchholtzer, who had complex training as a physicist and made important contributions in the area of theoretical and practical applicability. During World War II there was a double organization: on one hand, the Geographical Service for the Domestic Zone, and on the other, the Service for the General Staff. Following the move to the side of the Allies and entry under Soviet command, one can no longer speak of creativity but rather of executing the orders received. A new change in the name took place in 1950—to the Military Topographical Enterprise. In January 1951 it became the current Military Topographical Directorate.

[Cretu] What characterized your activity during that period?

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[Rotaru] We found a drop in the institute's activity and the evacuation of all parts and topographical materials by the Russians, added to which was the new orientation imposed by the Soviets on all the countries remaining in their sphere of influence. Despite the fact that we worked in a closed geodesic system, projects of great scope and importance were carried out. Romania's territory was covered with a network of points with precisely determined coordinates, with a very good configuration and a density of at least one point for every 20 square km, and the first edition of the map of Romania was at a scale of 1:25,000.

A gravimetric network was perfected in collaboration with the Geology and Geophysical Institute, with points where the value of gravitational acceleration was calculated very precisely, which is important both from a geological and geophysical, as well as military, viewpoint.

So our service saw an evolution marked by various phases of organization and development that were more or less successful, and yet the important thing was that progress was made from one stage to another.

[Cretu] What specific activities is the Military Topographical Directorate carrying out at the moment?

[Rotaru] Clearly, first we have the military services. We provide the army with military topographical maps and topographical maps with a special subject and we make astronomic determinations of position, measurements of distances with laser apparati, electron optics and electromagnetics. We do computer mathematical processing of triangulation networks, analytical high-precision restitution of photograms and operation of them to make Romania's topographical maps, automated cartography of elements within the subject and topographical maps and data products in this area. We always have in mind providing the troops with geodesic apparatuses and materials and carrying out special training programs—from the highest rank down to the last soldier.

We have been present at all the big civilian and military international events recently, especially as far as NATO is concerned. These are events where the contribution we have made to geodesic development has been recognized and the solutions we have proposed frequently have been adopted and awarded diplomas. We are collaborating with the International Geodesic Association, the European Association of Teledetection Laboratories and the International Cartography Association, which are organizations we belong to. We have even been elected to their leadership organs. I also recall that the Army Topographical Directorate is Romania's representative at the United Nations for standardization of geographic names. We also are involved in publishing periodical publications and specialty literature, among which I only mention "Magazine of Geodesics, Cartography and Land Register," "The Theory of Choas and Strategic Thought" and "The Theory of the Figure of the Earth." We wish to publish the results of our activity for a knowledge as correct as possible of Romanian military geodesic history.

[Cretu] What are the applications of military topography in civilian life?

[Rotaru] We have been requested and continue to be requested to carry out economic projects completely or in collaboration with other institutes. In the civilian area, we are involved in mapping and map-drawing by engraving topographic and subject plans and maps on various materials, as well as general geographic maps; maps and plans for education, archeology, ethnology, tourism, and so forth. We are contributing to the drafting and implementation of some big economic or urban public works projects, such as geodesic, topographic and cartographic projects for hydroelectric energy and navigation system points, industrial combines, national highways, spas, marking of the limits for agricultural areas, irrigation systems, and many other things. Actually, there is not one economic project of national importance in which our specialists have not participated.

[Cretu] With the prospect of Romania's integration into NATO structures, what do you think will be the modernizations that will occur in the service you head?

[Rotaru] These modernizations have already begun. I look positively at the partnership with NATO, from which both sides can only gain. We concluded an agreement with the US Department of State, on the basis of which we will be aided in training specialized personnel and in aligning our projects with the cartographic and data standards as well as with NATO's highly effective accepted technologies. Actually, the value of our specialists and the theoretical level of their knowledge have been recognized; we come up short in the apparatus we have available which will gradually be replaced with technology that is at Western standards. We also must complete the analytical education programs, bearing in mind that in the near future we will be working on electronically displayed, three-dimensional maps that also contain guidelines that may be used to make correct decisions. So we have a number of aspects that must be solved as fast as possible. Toward this goal we have bilateral collaborations with 17 foreign military topographic services and I hope that the development of these relations continues.

[Cretu] General, let us conclude this interview in the "classic" manner: What plans do you have for the future?

[Rotaru] From the start I stress that we will need a large material and financial effort that must be correlated with the appropriate training of specialized personnel. We are fully developing a geographic data system on independent modules that can be put into operation and will allow specific tasks to be solved before complete finalization of the system, scheduled to take place in 1997. We have in mind collaboration with as many foreign

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firms and foundations as possible, redesigning the technology, and acquisition of complete photogrammetric stations, using teledetection registrations and graphic stations to digitize and vectorize information with a cartographic support. We will continue to participate in sessions of scientific reports and demonstrations of international specialty organs, together with intensifying activity to popularize and bring out the multiple accomplishments of our profession, including its involvement in all areas of life.

[Cretu] Thank you and we wish you success!

Problems of Guest Workers in Israel

95P20392A Bucharest EVENIMENTUL ZILEI in Romanian 20 Dec 94 p 3

[Article by Ion Navalici: "Romanians Working in Israel Do Not Have Any Protection—The Israeli Employers Have Rejected the Agreement Presented by the Romanian Side"]

[FBIS Translated Text] The national conference of Israeli employers in the construction industry have rejected the "Agreement on Cooperation on Protection for Romanian Construction Workers in Israel." The agreement had been proposed by the Romanian Association of Construction Entrepreneurs [ARACO] for the purpose of providing insurance for Romanian workers, in accordance with international regulations.

On the basis of a decision of the Israeli government that some 15,000 foreign workers could work in construction, about 10,000 Romanians went to Israel. ARACO director general Anton Predescu reports that this exodus took place in an unorganized manner, on the basis of direct contracts between the Romanian workers and the Israeli firms, bypassing the Romanian firms. In this situation, small salaries of $1.70 to $2.10 an hour were imposed upon the Romanians, with no payments to families remaining in Romania. The workers lost their job seniority while they were in Israel. They were in a situation in which they lived in inhuman conditions and had to pay taxes on their wages, even though an income of less than $700 dollars a month is tax-exempt. In addition, the passports of the Romanian workers were retained, despite the fact that this is illegal.

Predescu says that an agreement between the ministries of labor of the two countries is necessary to remedy this situation. Representatives of the Israeli Ministry of Labor [and Social Affairs] have been invited to come to Romania in January 1995 for negotiations on this matter. However, instead of an agreement, the Israeli side prefers that a representative office be set up in the Israeli Embassy in Bucharest.

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Minister Stefkov on Cleveland Meeting

95P2O523A Skopje FLAKA E VELLAZERIMIT in Albanian 30 Jan 95 p 6

[Interview with Sasko Stefkov, FYROM minister without portfolio, by Lulzime Limani; place and date not given: "American Capital in Macedonia?"]

[FBIS Translated Text] [Limani] A conference on trade and investments in the countries of Central and East Europe was held in Cleveland, Ohio, on 12 January under the patronage of the White House. Some 14 countries from this region and 350 American companies were invited to attend. Officials from the U.S. Department of Commerce and officials covering European issues for the Department of State were also present.

The Republic of Macedonia [The Former Yugoslav Republic of Macedonia], was a participant. Its delegation was headed by Sasko Stefkov, minister without portfolio in the Government of Macedonia. We interviewed the head of this delegation to learn his impressions and his experiences at the conference and its importance for Macedonia.

[Limani] How did the idea arise and whose idea was it to hold such a conference?

[Stefkov] This conference was inspired and initiated for the first time last year by President Clinton during his visit to Prague. The idea was for all interested parties—American politicians, large American companies, who were had an interest in and who invested in this region, in Poland, the Czech Republic and Hungary—to meet. So far, there have not been any investments in the south but we hope that we will soon find some American capital in this region. The purpose of this conference was to give interested parties the opportunity to make the first basic contacts and to present the real opportunities. The conference would not serve as an occasion for signing contracts on the spot but would provide an opportunity for learning what was necessary. The caretaker of this conference was Secretary of Commerce Ron Brown.

First there were general sessions during which all the representatives gave presentations. Then the proceedings continued in working groups, depending on the interest of the businessmen (economists) from various sectors of industry, ecology, health, transportation and the construction industry. There were opportunities for presenting various reports to these meetings of working groups. This is what the Macedonian delegation did. We presented prepared documentation for those projects we thought would support development. We also had an opportunity to present all these materials at our exhibit, which interested participants in the conference visited, and to talk to these participants.

We had an opportunity to meet officials of the U.S. Department of State. The main event at the conference was the arrival of President Clinton who gave a very fine speech in which, among other things, he expressed American interest in the region as a long-term policy and the strategy for peace and security above all. In this context, he expressed the desire and interest of the United States in supporting the democratization processes that have begun and the processes that have been initiated for the transition to a market economy.

[Limani] What does the American public know about Macedonia?

[Stefkov] Before we left home, we prepared a voluminous amount of material. This proved to be wise and, most of all, necessary because of the fact that Macedonia is little known in the United States and we had to present the Republic as a newly independent state. Macedonia is known to the American public as a geographic region, and much less is known about all the changes that have taken place during the past four years. For this reason, we emphasized the presentation of the state in general, and of its economy.

[Limani] What projects did you present, and why were the American companies interested?

[Stefkov] We presented projects prepared by the Ministry in the areas of development, construction, transportation, etc, which we consider to be capital projects for the coming period and which take priority in our country, as well as projects in which we think the Americans would be interested. In addition to the materials, we presented our legislation—the laws regulating investments, the law on privatization, the law on foreign investments, the law on taxes—but, unfortunately, we were not able to present the law on commercial companies because it is still being worked out. As far as interest is concerned, I can say that our material was distributed and taken very quickly from the booths and stands by the participants and other interested parties. In addition to the material prepared by the government, there was material from the enterprises and from the tourist association.

[Limani] In what project was the most concrete interest shown?

[Stefkov] First of all, I would like to stress the great interest of the American companies in the East-West corridor, which was the largest project that was presented there. Two American firms expressed a concrete interest in this and they have already initiatied the first contacts with the respective ministries here in Macedonia. An important meeting was held there [in Cleveland] with American companies and agencies, in particular, the Trade and Development Agency (TDA) and the Overseas Private Investment Company [OPIC].

[Limani] Now that the conference is over, what activities will take place in the future?

[Stefkov] I think it is too early to say what the future activities will be. Despite the meetings we had with the two agencies, the TDA and OPIC will identify the projects and, after this is done, evaluate the information on the basis of a poll carried out by the Americans. As

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Mr. Brown said, there will be plenty of information, and therefore the American ambassadors and diplomatic representatives in the countries will have the additional task of keeping in contact with the secretary of commerce and the agencies. After the projects are identified, the implementation of the ideas will begin. First, a few basic things will be done in the infrastructure in order to encourage investments. Americans are very pragmatic people. According to them, politics is of no use when it is a matter of the economy. We provide a sample of a specific product.

There is interest in our sample because the market can absorb this product. But this is difficult if there is no infrastructure. The agency will have to distribute the means by which this product can be produced, in order to encourage American companies to invest. It must transport the products, hire workers, etc.

[Limani] When are the American companies expected to visit Macedonia?

[Stefkov] I am in daily contact with Mr. Comras (the head of the U. S.- Macedonian liaison office) who knows this situation, and he promised that he would soon be inviting two interested directors of companies and some Export-Import Bank officials to come to Macedonia to learn additional details about the projects. U. S. Secretary Brown promised that 350 companies and 14,000 firms will be included in the project data, which will be disseminated by means of a computer system that operates with diskettes in the U.S.

[Limani] Has any American capital been invested in Macedonia so far?

[Stefkov] So far we do not have anything we can consider to be a real investment. Some American companies are present on the basis of specific products or representatives, but these are not considered to be serious investments. When they do begin, it is expected that there will be a long period of analytical research. It is impossible, both from our side and from the American side, to say exactly when this will take place. Nevertheless, we must continue to take more aggressive action, and the American liaison office must support and reinforce our situation as we present it there. We must insist that we have daily contact with and receive complete information from the pertinent institutions.

[Limani] How much of this capital has been reaching Central and East Europe and what kind of interest is it finding there?

[Stefkov] It is an undeniable fact that there is very little American capital in this region. This was evident in the general sessions, at which directors of large American firms mentioned only Poland, the Czech Republic and Hungary. It is difficult to make an investment in the southern region since it is considered to be problem area. We know that this is the situation, and, for this reason, it is very difficult for this capital to come in. Nevertheless, it is our main duty to demonstrate that the Republic of Macedonia has the necessary conditions for American investments.

[Limani] What was the main thrust of your presentation at the conference?

[Stefkov] My speech was no different from other speeches except for the fact that I presented an overall view of the country—something the representatives of Poland, Albania, the Czech Republic, and other countries did not have to do. It was very important for Macedonia to be presented as an independent state, and for its current economic and political situation and the views of the government in regard to the future of the state to be presented.

[Limani] What were their impressions of our legislation—in particular, the laws on privatization and foreign investments; and how liberal are these laws?

[Stefkov] I did not have time to discuss this issue there, but the laws on privatization and on foreign investments are very liberal. No one felt a need to verify this because European experts participated in their preparation. Articles on reinvestments and taxes can be discussed individually, and I believe they will be criticized by American companies that think that they should be liberal in some matters. For example, I am waiting for them to react to the provision that they cannot own land in Macedonia. The American companies will certainly bring up this issue. However, we have very strong arguments for this, and it does not present any obstacle to cooperation. There is a possibility of an agreement with concessions, if there is any interest.

[Limani] What was the message of the conference, and what did Bill Clinton say in his speech?

[Stefkov] In his speech, U.S. President Bill Clinton talked about the formation of a fund of more than $4 billion to aid American investments. President Clinton stressed that: We think that this market is interesting, that it will arouse American interests, that it will open up new jobs, that it will develop industry, etc. It is not a matter of humanitarian assistance but simply of economic interest. Clinton explained this to the companies in a very pragmatic manner. In a way, Clinton's speech was an admonition to Yeltsin that as long as he wages war in Chechnya: We will invest capital in Central and East Europe.

[Limani] What did you discuss in your meeting with President Clinton?

[Stefkov] After his speech, Clinton had meetings with the delegations in the presence of the ambassadors, and there was an opportunity to talk to him. First of all, I conveyed to him Gligorov's best regards. He was interested in the situation. I talked to him about the American contingent among the blue-helmet troops in Macedonia and about the situation in the country. It was a warm discussion in a relaxed atmosphere.

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Federal

Large Scale Fishing by Navy in Adriatic

95BA0139B Ljubljana DELO in Slovene 26 Jan 95 p 7

[Article by Branko Jokic: "Yugoslav Army in a General Crisis"]

[FBIS Translated Text] *Members of the Navy have turned into fishermen, and are destroying the Adriatic's riches on a large scale; 3,000 highly educated experts have left because of the difficult conditions.*

From our correspondent.

Podgorica, 25 Jan—The association of professional fishermen of the Montenegrin coast has demanded that the authorities ban the Yugoslav Navy from "rampages," during which schools of fish in that part of the Adriatic are being destroyed by explosions. In their petition, they claimed, "If this continues, the fish in the Montenegrin part of the Adriatic will disappear, and danger is threatening the entire Mediterranean."

In that public document, they also wrote that the Yugoslav Navy has already been equipped for that kind of fishing and is also starting to do it on the open sea. They drop 100 kilograms of explosives at a time into the depths, and no one knows "where such enormous quantities of fish are ending up." Experts claim that it is no secret: The leaders of that "fishing" (officers and noncommissioned officers) sell some of the fish through their merchants in marketplaces, but they take most of the catch to the barracks, where it is an integral part of their diets. Fish has thus become the most common military food because it is as free as beans were at one time. If they did not have such "crops of their own" in their diets, the Yugoslav soldiers would be more hungry than well-fed, since everyone knows that the Army's diet has never been so miserable. That is why the Army is demanding "extenuating and rational" measures for poaching.

Yugoslavia is allocating most of its budget to the Army, about 76.2 percent (i.e., 1,611,000,000 dinars, or approximately 1 billion German marks). Most people think that Defense Minister Pavle Bulatovic is a mere extra in that part and has to get as much money as possible out of the federal parliament, but does not make decisions on military matters. He stated that that is only half as much money as the Army really needs, but that "The army understands that it has to share the fate of the people," and understands that the state cannot provide any more money for it. He emphasized that officers' wages are extremely low—an average of 367.57 dinars with all the supplements. Approximately 18,000 officers and 40,000 family members—they mostly came from Bosnia, Slovenia, Macedonia [The Former Yugoslav Republic of Macedonia], and Croatia, where half of the 150,000 military apartments were also left—are without apartments and without any hope that they will get one. Many officers have also left their service—last year alone, almost 3,000 highly educated experts left the Yugoslav Army.

Fewer and fewer people are also enrolling in the military academies. Major General Radoslav Martinovic, chief of staff of the Second Army, which is headquartered in Podgorica, warns that future young soldiers will be trained with extreme economy measures, although that will not affect the "supreme training of the Army, which will withstand any enemy."

The Army is demanding more money from its state. The latter does not have it, nor can it promise it. The state, as in all other cases, uses the excuse of unfair measures, but in spite of that leading politicians venture from time to time to criticize primarily the large number of officers and the large number of (useless) military institutions. The state would not be able to pay for all that even if it had better economic and political (international) benefits. Reform of the Army has already been under discussion for three years, but it seems that the generals are much more powerful than the politicians (with the exception of one, who is extremely respected) and do not care for their proposals (admittedly uttered in an extremely mild form). They even claim that they would need a larger army for effective defense of the state. According to some estimates, it now consists of 100,000 people, and more than two-thirds are officers.

Serbia

Reporters Given Tour of Successful Private Firms

95BA0134A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 30 Jan 95 pp 19-20

[Article by Z. Mihic: "The Mystery of the Economy"]

[FBIS Translated Text] When two ministries of the Government of Serbia drew up the schedule for a tour of private firms in Serbia by foreign and local journalists, one would naturally expect to be shown the best this country has. On the two-day tour from Belgrade to Subotica last week, what one saw was a parallel world of Serbia's private business, the world of private operators, whose capital, establishments, and transactions seem unreal under the conditions of the isolation in which we live.

It can be said of the 11 firms we saw on this occasion that they deal with millions of German marks [DM] the way the ordinary world turns over its hundred or so dinars a month, but it would be wrong to say that these are Potemkin villages of our economic system, because their economic power is quite visible.

At the very beginning of this trip, at the Ktitor firm in Belgrade, the journalists fell into a perplexity that was to accompany them throughout the trip. How is one to explain this rapid surge, this capitalization, these private businessmen of ours, when we have always heard stories

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that in the West the wealth of a firm is created down through generations and generations of family effort? The question was put concretely to Milija Milosavljevic, owner and general director of Ktitor, who had already said that during the sanctions he had invested about DM40 million in Serbia, employed more than 300 workers, opened his firms in eight foreign countries, and that his private firm had been registered in Yugoslavia four years ago.

"In the past, people became directors by lifting two fingers or graduating from the party school in Kumrovec, and when the sanctions came, all those managing directors established alongside their socialized firms their own private firms for their wives, daughters, or sons. For me, however, Ktitor was always everything, and I would give my life for my firm if need be. That is the essential difference when we talk about the ways various people have created something," Milosavljevic explained. "You see, in England they blocked 900,000 pounds of mine because they think I am a communist, but I only want to work, and I have no other country but this one...."

That is how Milosavljevic talked, a man who has built a big business in Serbia and neighboring countries dealing in furniture, especially office furniture, and who is now getting ready to open a firm in Albania.

In Mosorin, 30 km from Novi Sad, we were able to see the HBM private office supplies factory, a family firm which the international sanctions have held back about three years in its development.

"Before the sanctions, they had granted us a loan of DM4 million in Germany, but that is now frozen," said Zdravko Popov, managing director and owner of HBM. "We are being offered investments from Japan, but we have exhausted our strength by investing DM5.5 million so far. We are not getting local bank loans, and that is why we are operating with financing out of current production."

There were no secrets here, because the firm was built up on the professional expertise and knowledge of the market of its owner, the elder Popov, who before establishing the private firm HBM was export director in the firm Sumadija. Today, they are making typewriter ribbons and all office supplies (150 different items) and are quite successfully replacing the former Aero and the German Pelikan. They have in the warehouse production supplies worth DM5 million for future production as long as two and a half years (if the sanctions continue), but do not ask where they came from; there are private operators who are effective in importing such things. Nevertheless, it is sad to see an entire imported production line ready for a building costing DM1 million standing out in the cold for a year now waiting for the building to be completed.

Ilija Radun, owner of the first private gasoline stations in Yugoslavia (that former one), is only beginning to make his mark. He had three stations in Bosnia, only one of which is still in operation today, and he also has three stations in Vojvodina, but over the last two years petroleum has not been the source of his business undertakings. The real sources have been in firms operating abroad. The business project of a brewery in Novi Sad, designed to produce 300,000 liters of beer a day (just like the Belgrade Brewery), is being finished. Pilot production is to begin in March, and if everything is as it should be, the other phases of the project will follow: construction of the carbon dioxide plant, then using it to finance farms for baby beef and dairy cows, and so on. In round figures, this project represents a total investment of about DM150 million.

"So far, we have not taken a single dinar from our state or local banks," says Ilija Radun, a former teacher and former marketing director of Naftagas. "Everything is being financed from the operation of our firms in Russia, China, West Europe... firms that are independent of the Yugoslav market...."

The cultural mission of private enterprise in our country was evident in the Efekt Printing Plant in Beocin. The employees in this printing plant work under such good conditions that you would think you were somewhere abroad. Zoltan Slavik, managing director, has a motto on the wall of the plant that is a bit ironic and witty at the same time: "Wanted and could, dared and succeeded," and, finally, "Gave it everything."

Jozef Kasa, mayor of Subotica, was quite explicit in his assertion:

"The incompetent work of the financial police, who come here from elsewhere, is harmful to the small businessmen in Subotica. State control over this sector has absolutely been tightened, and this frequently hinders their production and marketing. The basic banks in Subotica, on the other hand, did not invest even 5 percent of their capital last year in loans to private operators. Third, there is the restriction on electric power. Of the 2,900 private firms in Subotica Opstina at the moment, 800 of them are quite serious businesses. When I say 'serious,' I am thinking of annual turnover of several million marks per firm," Kasa observed.

The next visit was to a plastic bag factory (DM2.5 million in investment) of the W & B firm in Palic, which has an unexpected tennis court in the factory building.

"We still are not able to install the equipment, so we set up this tennis court," explains owner Milorad Bucalo, who acquired his capital working abroad, and is now delivering 800,000 bags from his own plant (in his home) for the largest nitrogen fertilizer plants in Serbia. It is of interest that there are also tennis courts alongside the plant of Djukic Knitwear in New Belgrade, where the first minister for entrepreneurship gets his exercise.

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The case of the private firm Jukom in Subotica is based on successful production of 6,000 metric tons of vegetables and fruit packed in jars, which were previously purchased mainly by Slovenes and Italians (not in jars, but fresh).

"We cooperate with the peasants without a contract, but those with whom we began six years ago are still with us," says Sive Milosevic, managing director of Jukom, revealing the formula of his success. "Under the embargo, we have doubled production and set up a high school class here alongside the factory."

In the Srem village of Erdevik, Vojislav Ristic (who once headed a Slovene representative office in Serbia) has in the last four years built up a baby beef farm (1,350 head per cycle) and invested nearly DM4 million in the building and equipment (all personal funds). He certainly cannot say that he is satisfied with the situation on the market today, because he is forced to cut back production. Since 1992, which was an excellent year in which he exported $2 million worth to Lebanon and Greece, there have been hungry years in which sales have been dropping rapidly ($396,000 in 1993). He has 18 employees, his own feed, and his own power plant, but now he has to cut back.

"We private operators still do not have our place in this society," Ristic says. "For instance, there were those loans for revitalization, but not a dinar of that came to us, but rather it is given to the farmer cooperatives, and nothing comes of it."

At the Galeb firm in Sabac (the first private firm registered after Ante Markovic's law in the former Yugoslavia) it was evident that production and investment in production are nevertheless paying off. With its programs for power tools, wire and cable, and welding equipment, this firm has withstood all the shocks it has experienced in the last five years. It has a work force of 150, they are working on two shifts, and they have replaced all the Iskra, Bosch, and similar products on the market.

The last stop on this trip was in the village Vojka, near Stara Pazova. Young Branislav Indjic (age 26), who owns a farm on which he raises dairy cows and bulls (150 cows and 400 bulls) there, hired for this occasion waiters and servers from the Interkontinental Hotel in Belgrade. He produces between 3,000 and 6,000 liters of milk every day and delivers it to Imlek at a price of .40 dinar per liter. He nevertheless thinks that it would be more beneficial for his business if the state allowed them to process the milk and make finished dairy products.

The foreign journalists were impressed. "How is this possible, and what about the blockade?" was their constant question, but the hosts only smiled and put the ball back in their court with a remark about the unjustness of the sanctions. How many spasms and grimaces to do all this were hidden behind that smile they themselves know best, but we also are left with something at which to be amazed. Parallel worlds nevertheless do exist.

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